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As filed with the Securities and Exchange Commission on September 9, 2019.

Registration No. 333-233315

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 2
TO
FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SmileDirectClub, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**3843**	**83-4505317**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

SmileDirectClub, Inc.
414 Union Street
Nashville, Tennessee 37219
(800) 848-7566
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

David Katzman
Chief Executive Officer
SmileDirectClub, Inc.
414 Union Street
Nashville, Tennessee 37219
(800) 848-7566
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

David J. Goldschmidt, Esq.	**Marc D. Jaffe, Esq.**
Skadden, Arps, Slate, Meagher & Flom LLP	**Stelios G. Saffos, Esq.**
Four Times Square	**Latham & Watkins LLP**
New York, New York 10036	**885 Third Avenue**
Telephone: (212) 735-3000	**New York, New York 10022-4834**
Facsimile: (212) 735-2000	**Telephone: (212) 906-1200**
	Facsimile: (212) 751-4864

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ☒	Smaller reporting company o Emerging growth company ☒

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. o

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The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS, DATED SEPTEMBER 9, 2019

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

58,537,000 shares

Class A common stock

$ per share

This is the initial public offering of shares of Class A common stock of SmileDirectClub, Inc. We are offering 58,537,000 shares of our Class A common stock.

We intend to use approximately $493.4 million of the net proceeds from this offering (or approximately $664.4 million if the underwriters' option to purchase additional shares of Class A common stock is exercised in full) to purchase limited liability company units of SDC Financial LLC, our subsidiary, and shares of our Class A common stock from existing holders thereof, as described herein.

Prior to this offering, there has been no public market for our Class A common stock. We anticipate that the initial public offering price will be between $19.00 and $22.00 per share. Upon completion of this offering, we will have two authorized classes of common stock: the Class A common stock offered hereby, which will have one vote per share, and Class B common stock, which will have ten votes per share and no economic rights. We have applied to list our Class A common stock on the NASDAQ Global Select Market under the symbol "SDC."

After the completion of this offering, pursuant to a Voting Agreement, David Katzman, our Chairman and Chief Executive Officer, will control a majority of the voting power of shares eligible to vote in the election of our directors. As a result, we will be a "controlled company" within the meaning of the corporate governance standards of NASDAQ. See "*Management—Controlled Company Exception*" and "*Certain Relationships and Related Party Transactions—Voting Agreement*."

We are an "emerging growth company" under the federal securities laws and, as such, will be subject to reduced public company reporting requirements. See "*Summary—Implications of Being an Emerging Growth Company*."

Investing in our Class A common stock involves risks. See "Risk Factors" beginning on page 27.

Neither the Securities and Exchange Commission (the "SEC") nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per share	Total
Public offering price	$	$
Underwriting discount and commissions(a)	$	$
Proceeds before expenses	$	$

(a) See "*Underwriting (Conflicts of Interest)*" for a complete description on the compensation payable to the underwriters.

We have granted the underwriters the option to purchase up to an additional 8,780,550 shares of Class A common stock, solely to cover over-allotments, if any.

The underwriters expect to deliver the shares against payment in New York, New York on , 2019 through the book-entry facilities of The Depository Trust Company.

J.P. Morgan **Citigroup**

BofA Merrill Lynch **Jefferies** **UBS Investment Bank** **Credit Suisse**

Guggenheim Securities **Stifel** **William Blair** **Loop Capital Markets**

Prospectus dated , 2019

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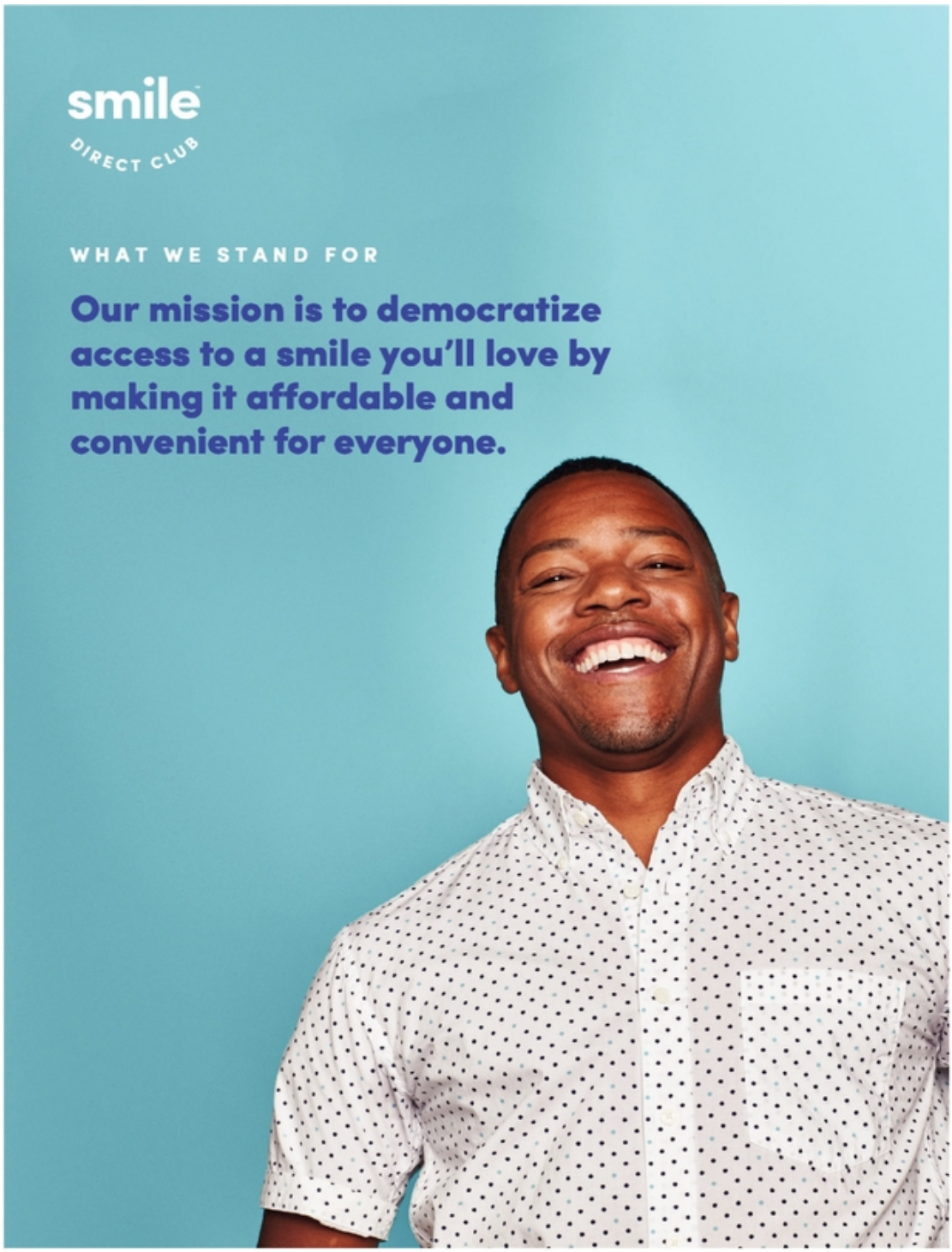

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We use teledentistry to offer clear aligners affordably and conveniently.

Traditional orthodontic model		smile DIRECT CLUB
Cost $5,000 – $8,000		$1,895
Convenience 10 – 15 orthodontist visits		Doctor-directed remote teledentistry Zero in-office visits required
12 – 24 months		5 – 10 months
Access Limited access to treatment *(Only 40% of U.S. counties have orthodontists)*		Access across U.S., Canada, Australia & U.K. with impression kits and 300+ SmileShops
Financing Limited by poor credit		Captive financing for accessible credit

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By the numbers.

~5MM
Unique monthly web visitors

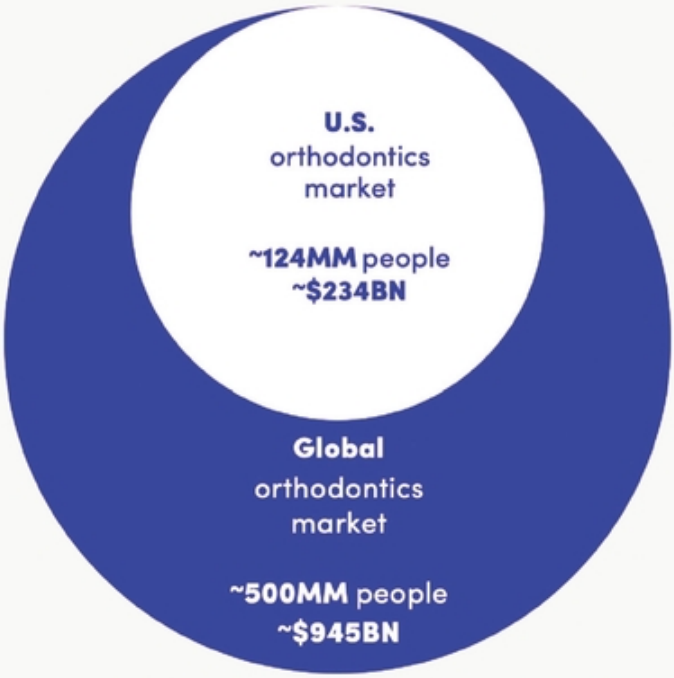
300+
SmileShops

4 Countries served

700K+
Smiles made

The TAM is expanding as we make clear aligners more accessible to consumers.

~85% of people worldwide have malocclusion, with <1% treated annually.



Source: Frost & Sullivan. The TAM is calculated as the total number of individuals with malocclusion filtered by our age and income demographics.

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Neither we nor the underwriters have authorized anyone to provide you with information different from that contained in this prospectus, any amendment or supplement to this prospectus, or any free writing prospectus prepared by us or on our behalf. Neither we nor the underwriters take any responsibility for, or can provide any assurance as to the reliability of, any information other than the information in this prospectus, any amendment or supplement to this prospectus, or any free writing prospectus prepared by us or on our behalf. We and the underwriters are offering to sell, and seeking offers to buy, shares of our Class A common stock only in jurisdictions where offers and sales thereof are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our shares. Our business, prospects, financial condition, and results of operations may have changed since that date.

ABOUT THIS PROSPECTUS

Basis of Presentation

In connection with the consummation of this offering, we will effect certain reorganizational transactions, which we refer to collectively as the "Reorganization Transactions." Unless otherwise stated or the context otherwise requires, all information in this prospectus reflects the consummation of the Reorganization Transactions and the consummation of this offering. See "*Organizational Structure*" in this prospectus for a description of the Reorganization Transactions and a diagram depicting our organizational structure after giving effect to the Reorganization Transactions, the consummation of this offering, and the use of proceeds therefrom.

As used in this prospectus, unless otherwise indicated or the context otherwise requires, references to "we," "us," "our," the "Company," "SmileDirectClub," and similar references refer: (i) prior to the consummation of the Reorganization Transactions and this offering, to SDC Financial LLC and its consolidated subsidiaries; and (ii) following the consummation of the Reorganization Transactions and this offering, to SmileDirectClub, Inc., the issuer of the Class A common stock offered hereby, and its consolidated subsidiaries, including SDC Financial LLC and its subsidiaries. We also refer to SDC Financial LLC as "SDC Financial" and to SmileDirectClub, Inc. as "SDC Inc." or the "Issuer." We are engaged by our network of doctors to provide a suite of non-clinical administrative support services, including access to and use of SmileCheck (as defined herein), as a dental support organization ("DSO"). For purposes of this filing, our affiliated network of dentists and orthodontists is included in the definition of "we," "us," "our," and the "Company" as it relates to any clinical aspect of the member's treatment. All of our manufacting operations are directly or indirectly conducted by Access Dental Lab, LLC ("Access Dental"), one of our operating subsidiaries.

Following the consummation of the Reorganization Transactions and this offering, we will be a holding company. Our sole material asset will be our equity interest in SDC Financial. SDC Financial is considered the predecessor of SDC Inc. for accounting purposes, and its historical consolidated financial statements will be our historical consolidated financial statements following this offering.

Numerical figures included in this prospectus may have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in various tables may not be arithmetic aggregations of the figures that precede them. Information on pricing and financing of our aligners in this prospectus is based on U.S. pricing and financing unless expressly stated otherwise. Pricing and financing outside the U.S. may vary.

As used in this prospectus, "malocclusion" means imperfect positioning of the teeth.

Market, Industry, and Other Data

This prospectus includes estimates regarding market and industry data and forecasts, which are based on publicly available information, industry publications and surveys, reports from government agencies, and our own estimates based on our management's knowledge of, and experience in, the industry and markets in which we compete. Certain addressable market size data included in this prospectus is based on independent research of Frost & Sullivan that was commissioned by us for inclusion herein. Frost & Sullivan is a leading global research and consulting firm.

In presenting this information, we have made certain assumptions that we believe to be reasonable based on such data and other similar sources, and on our knowledge of, and our experience to date in, the markets for our products. Market data is subject to change and may be limited by the availability of raw data, the voluntary nature of the data gathering process, and other limitations inherent in any statistical survey of market data. In addition, customer preferences are subject to change. Accordingly, you are cautioned not to place undue reliance on such market data. References herein to our being a leader in a

market or product category refer to our belief that we have a leading market share position in such specified market based on sales dollars, unless the context otherwise requires.

Certain statistical data estimates and forecasts contained in this prospectus are based on the following independent industry publications or reports:

- Cone Communications, Inc., "Americans More Loyal and Willing to Defend Purpose-Driven Brands," May 30, 2018;
- eMarketer, "US Ad Spending 2018: Updated Forecast for Digital and Traditional Media Ad Spending," October 2018;
- Forbes, "Brands are Winning Thanks to an Omnichannel Approach to E-Commerce," August 1, 2018;
- PatientEngagementHTI, "77% of Patients Want Access to Virtual care, Telehealth," June 20, 2017;
- RealSelf, "More than 1 in 3 U.S. Adults are Considering a Nonsurgical or Surgical Cosmetic Treatment in the Next 12 Months," September 26, 2018; and
- West Monroe Partners, "Improving the Dental Patient Experience," May 17, 2017.

This prospectus includes references to our Net Promoter Score. Net Promoter Score is a metric used for measuring customer satisfaction and loyalty. We calculate our Net Promoter Score by asking members the following question: "On a scale of 0-10, how likely is it that you would recommend SmileDirectClub to your friends, family or business associates?" Members rating us 6 or below are considered "Detractors," 7 or 8 are considered "Passives," and 9 or 10 are considered "Promoters." To calculate our Net Promoter Score, we subtract the percentage of Detractors from the percentage of Promoters. For example, if 50% of respondents were Promoters and 10% were Detractors, our Net Promoter score would be 40. This method is consistent with how businesses across the dental and other industries typically calculate their Net Promoter Score, although some may rephrase "friends, family, or business associates," using terms with similar meaning, such as "friends or colleagues."

Trademarks, Service Marks, and Trade Names

We own or license the trademarks, service marks, and trade names that we use in connection with the operation of our business, including our corporate names, logos, and website names. This prospectus also may contain trademarks, service marks, trade names, and copyrights of other companies, which are the property of their respective owners. Solely for convenience, the trademarks, service marks, trade names, and copyrights referred to in this prospectus are listed without the TM, SM, ©, and ® symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors, if any, to these trademarks, service marks, trade names, and copyrights.

SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary may not contain all of the information that you should consider before deciding to invest in shares of our Class A common stock. You should read this entire prospectus carefully, including the "Risk Factors" section immediately following this summary, "Cautionary Statement Regarding Forward-Looking Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the consolidated financial statements and related notes thereto included elsewhere in this prospectus, before making an investment decision to purchase shares of our Class A common stock.

Our Company

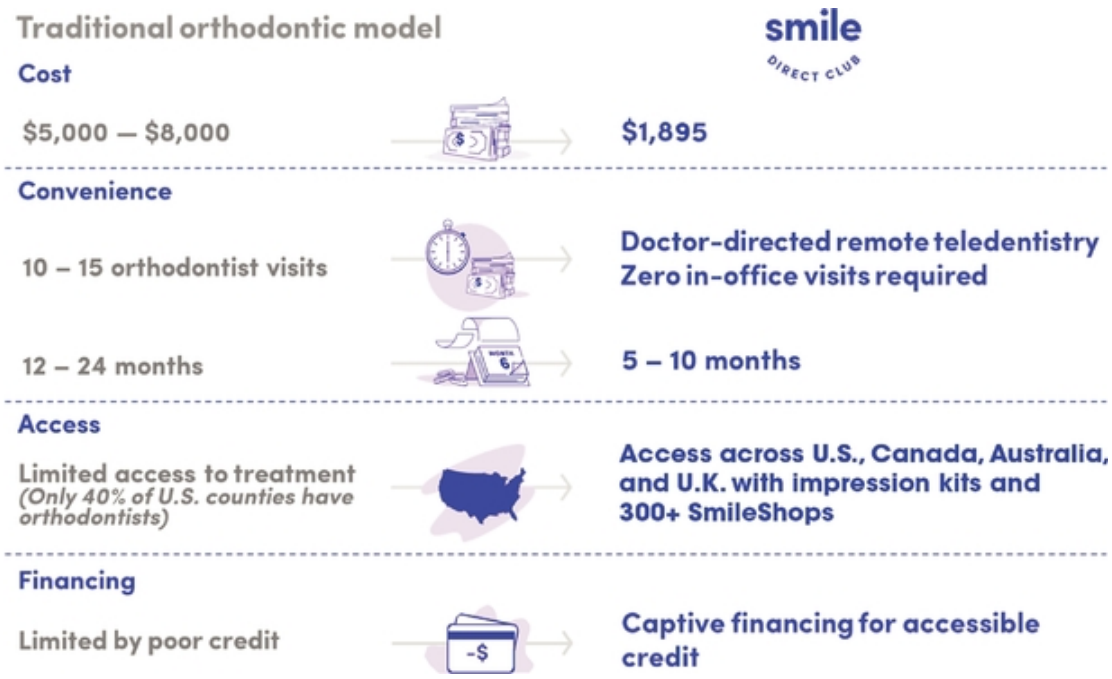
SmileDirectClub was founded on one simple belief: everyone deserves a smile they love.

We are the industry pioneer as the first direct-to-consumer medtech platform for transforming smiles. Through our cutting-edge teledentistry technology and vertically integrated model, we are revolutionizing the oral care industry.

Our clear aligner treatment addresses the large and underserved global orthodontics market. An estimated 85% of people worldwide suffer from malocclusion, yet less than 1% receive treatment annually. Our goal is to improve penetration into this untapped market by democratizing access to a more affordable, convenient, and accessible solution for a straighter smile. We believe we are the leading player in this early but massive opportunity.

The traditional orthodontic model, which includes both metal braces and clear aligner treatment administered through in-office doctor visits, suffers from many limitations; it is cost-prohibitive for many people, requires multiple inconvenient in-person appointments, and is not widely accessible. Specifically, traditional orthodontic solutions typically cost $5,000–$8,000 or more, require a series of time-consuming visits during limited hours, and are available in less than 40% of the counties in the U.S. alone.

We have disrupted the traditional orthodontic model by offering the following benefits:



Our vertically integrated model enables us to solve critical problems around cost, convenience, and access to care. We offer professional-level service and high-quality clear aligners at a cost of $1,895, up to 60% less than traditional orthodontic solutions. We achieve this cost savings while maintaining high quality by removing the overhead cost of in-person doctor visits and managing the entire member experience, all the way from marketing to aligner manufacturing, fulfillment, treatment by a member's doctor, and monitoring through completion of their treatment, which is supported by our proprietary teledentistry platform ("SmileCheck"). These efficiencies enable us to pass the cost savings directly to the members and allow doctors in our network to focus on what matters most: providing convenient access to excellent clinical care. To further democratize access to care, we offer our members the option of paying the entire cost of their treatment upfront or enrolling in our financing program ("SmilePay"), a convenient monthly payment plan. We also accept insurance and as of 2019, are in-network with United Healthcare and Aetna.

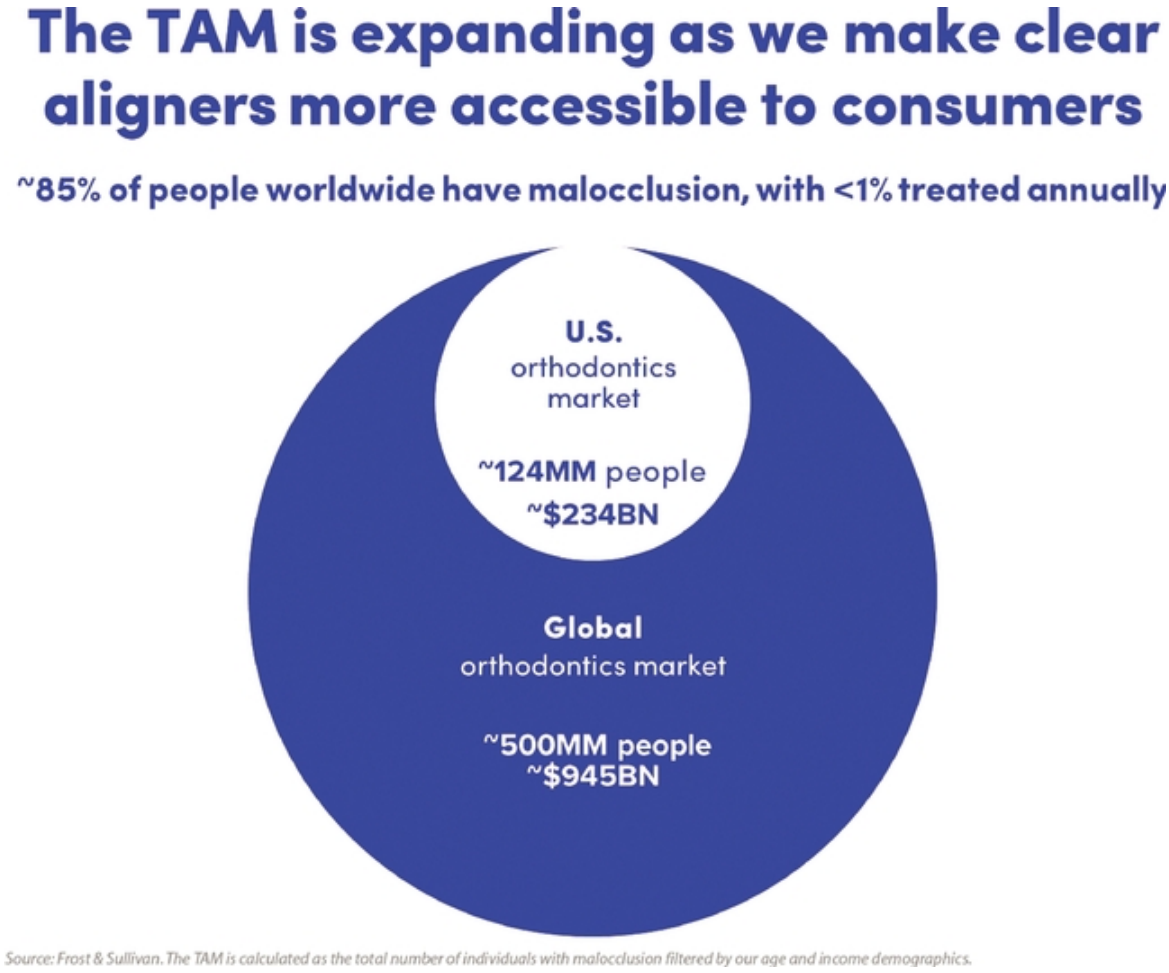
Our primary focus is on delivering an exceptional customer ("member") experience. Our average net promoter score of 57 since inception, compared to an average net promoter score of 1 for the entire dental industry (according to West Monroe Partners), and our average rating of 4.9 out of 5 from over 100,000 member reviews on our website, demonstrate that our members are highly satisfied. As a testament to our confidence in the quality and efficacy of our product, we offer a Smile Guarantee, which provides members a refund or additional treatment, at no extra cost, if they are not entirely satisfied.

Since our founding in 2014, we have helped over 700,000 members across all 50 U.S. states, Puerto Rico, Canada, Australia, and the U.K., and have opened over 300 SmileShops, including in partnership with CVS and Walgreens. Our total revenues increased 190%, to $423.2 million in 2018 from $146.0 million in 2017. Our total revenues for the six months ended June 30, 2019 were $373.5 million, an increase of 113% over the same time period in 2018. We generated net losses of $(74.8) million and $(32.8) million and Adjusted EBITDA of $(16.9) million and $(21.1) million in 2018 and 2017, respectively, and net losses of $(52.9) million and Adjusted EBITDA of $2.3 million for the six months ended June 30, 2019. Our rapid growth validates our value proposition and compelling business model.

Our Market Opportunity

The global orthodontics market is large and underserved. Approximately 85% of people worldwide have malocclusion, with less than one percent treated annually. We believe that our aligner treatment can help over 90% of people with malocclusion, to some extent, to achieve a better smile.

The market is expanding as we make clear aligners more accessible to consumers. Our total market is greater than 120 million people in the U.S. and approximately 500 million people globally, based on total malocclusion prevalence and age and income demographics. We believe over 90% of this market is addressable today and we are in the very early stages of penetrating this opportunity. Furthermore, to address our global opportunity, we launched in Canada in November 2018 and have helped over 15,000 members there to date. In the second quarter of 2019, we launched in Australia, and in the third quarter of 2019, we launched in the United Kingdom, with plans to continue expanding into other countries in the near-term.



As a reflection of our market opportunity, our member base is diverse and spans all demographics. Our members' household income typically spans from $30,000 to $130,000, and our members range in age from teenagers (less than 5% of our members) to the 50+ category (10% of our members). Approximately 65% of our members are between 20 and 40 years old.

Trends in Our Favor

Several trends support our success and growth potential, primarily as a result of technological advances in healthcare and a wave of change in consumer preferences and purchasing decisions.

Emphasis on mission-driven brands

Consumers are increasingly scrutinizing whether companies are guided by socially responsible principles. In turn, mission-driven brands are generating higher customer confidence and spend and building emotional connections with consumers beyond a transactional relationship.

Technology is driving transformation in healthcare

Technology is driving innovation in the healthcare industry, with increasing acceptance and adoption of telemedicine and remote care. In particular, orthodontic care is undergoing rapid digitization, in which software is able to capture oral images, recognize areas for correction, and map out step-by-step treatment

plans in granular detail. Digital orthodontic care can also reduce risks and uncertainties at all stages of the treatment process to provide more accurate and consistent care.

Higher awareness of aesthetic image among consumers

The proliferation of social media emphasizes online identity and, as a result, drives consumers to present an image of their best selves. This emphasis has increased interest in aesthetically focused businesses, particularly those that focus on less invasive cosmetic treatments. Within the next 12 months, more than one in three adults in the U.S. are considering at least one cosmetic treatment, with cosmetic dentistry (including teeth alignment, whitening, and veneers) topping the list of nonsurgical treatments, according to a survey conducted by The Harris Poll on behalf of RealSelf.

Rise of omni-channel retail

Customers are increasingly expecting the convenience of an e-commerce business, coupled with the support and consultation provided with an in-person experience. In this environment, consumer-facing businesses must combine digital experiences with strategic brick and mortar locations to successfully convert potential customers.

Data's increasing importance and impact on healthcare

Data is a powerful force that is driving improved quality of care while also decreasing costs. The solutions produced by leveraging insights from increasing amounts of data will be instrumental in making healthcare more preventative, predictive, and precise. By combining data with artificial intelligence, doctors, including orthodontists and general dentists, will be able to more effectively anticipate, diagnose, treat, and improve outcomes.

Consumer purchasing habits are increasingly driven by mobile channels

Consumers have access to their mobile devices virtually anywhere and anytime. Given this continuous connectivity, businesses are adapting their marketing strategies and increasingly focusing on mobile and social media platforms. This strategy has given rise to a new class of companies that have found rapid success through targeted social media marketing and direct-to-consumer e-commerce platforms.

Our Member Journey

Our member journey starts with two convenient options: a member books an appointment to take a free, in-person 3D oral image at any of our over 300 retail stores ("SmileShops") across the U.S., Puerto Rico, Canada, Australia, and the U.K., or orders an easy-to-use doctor prescribed impression kit online, which we mail directly to their door. Using the image or impression, we create a draft custom treatment plan that demonstrates how the member's teeth will move during treatment. Next, via SmileCheck, a state licensed doctor within our network reviews and approves the member's clinical information and treatment plan. If the member is a good candidate for clear aligners and decides to purchase, the treating doctor prescribes custom-made clear aligners, which we then manufacture and ship directly to the member. In addition, the member has the opportunity to review a 3D rendering of how their teeth will move during treatment as part of their purchase decision. SmileCheck is also used by the treating doctor to monitor the member's progress and enables seamless communication with the member over the course of treatment. Upon completion of treatment, a majority of our members purchase retainers every six months to prevent their teeth from relapsing to their original position. We also offer a growing suite of ancillary oral care products, such as whitening kits, to maintain a perfect smile.

As a testament to our confidence in the quality and efficacy of our product, we offer a Smile Guarantee. Our Smile Guarantee ensures a full refund if a member is not satisfied for any reason within the first 30 days and a pro-rated refund, or additional aligners for further adjustment at no cost, if the member is not satisfied at any point later in the process.

Throughout our member journey, we are singularly focused on delivering an exceptional member experience. We manage every member touchpoint and communication, enabling us to continually refine and optimize the member experience.

How it works.

1 3D image.

Take a free 3D image at a SmileShop or SmileBus.

or

Impression kit.

Purchase an easy-to-use, prescribed impression kit online. When done, drop the impression kit in the mail and upload required photos.

2 Building new smiles.

Within 48 hours, a duly licensed dentist or orthodontist reviews the clinical information and prescribes aligners if appropriate. The average treatment plan is 6 months.

3 Aligners ship directly.

3–4 weeks later, our in-house manufactured custom-made aligners are shipped, all at once.

4 Checking in.

The treating duly licensed doctor reviews clinical progress through our remote teledentistry platform at least every 90 days.

5 Smiles are forever.

Once the smile journey is completed, members can buy retainers and our other products to help maintain a smile they'll love.

Our Value Proposition to Our Members

Affordable, professional-level quality product

We offer professional-level service and high-quality clear aligners at a cost of $1,895, up to 60% less than traditional orthodontic solutions. We achieve this cost savings while maintaining high quality by removing the overhead cost of in-person doctor visits and managing the entire member experience, all the way from marketing to aligner manufacturing, fulfillment, treatment by a member's doctor, and monitoring through completion of their treatment. These efficiencies enable us to pass the cost savings directly to the members and allow doctors in our network to focus on what matters most: providing convenient access to excellent clinical care.

Convenience

Our omni-channel retail strategy, along with our teledentistry platform, enables members to choose how they would like to interact with us. Traditional orthodontic treatment requires monthly visits, whereas doctors using our teledentistry platform do not require in-person visits. Doctors in our network rely on SmileCheck to communicate with our members and view their progress through the submission of photos and other information every 90 days, or more frequently, if required. In addition, our treatment plans typically range from five to ten months, with an average of six months, compared to the traditional orthodontic model of 12 to 24 months. We also recently introduced our innovative Nighttime Clear Aligners, which require only 10 hours of nightly wear, for members who are unwilling or unable to wear aligners for the typical 22 hours per day required for traditional clear aligner therapy.

Accessibility

Over 60% of counties in the U.S. do not have an orthodontist's office, thereby limiting access to treatment for a large portion of the population. Using our proprietary teledentistry platform, we have helped treat members in over 80% of these underserved counties since launching in 2014. Our doctor network includes licensed orthodontists and general dentists in all 50 U.S. states, Puerto Rico, Canada, Australia, and the U.K., allowing us to service members located anywhere in these geographies. In addition, our rapidly scaling network of over 300 SmileShops provides prospective members a convenient touchpoint when considering treatment.

SmilePay

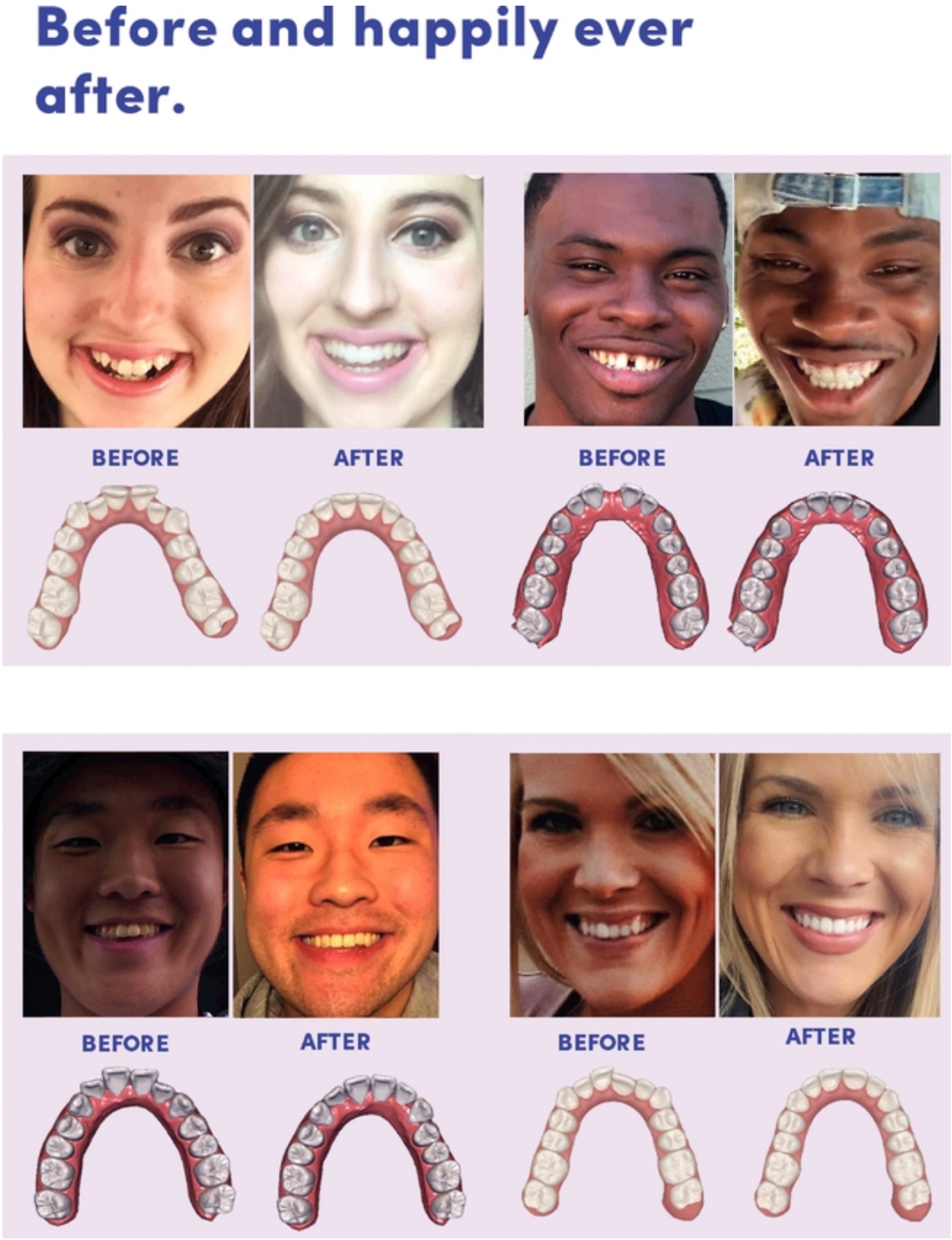
We offer our members the option of paying the entire cost of their treatment upfront or enrolling in SmilePay, a convenient monthly payment plan that makes our clear aligner treatment even more accessible. With a $250 down payment and an average monthly payment of only $85, SmilePay provides a more affordable option for those who cannot make the $1,895 full payment upfront.

Smile Guarantee

Members can feel confident in using our products and services on a risk-free basis. As a testament to our confidence in the quality and efficacy of our product, we offer a Smile Guarantee. Our Smile Guarantee ensures a full refund if a member is not satisfied for any reason within the first 30 days and a pro-rated refund or additional free aligners for further adjustment if the member is not satisfied at any point later in the process.

Highly satisfied grinners

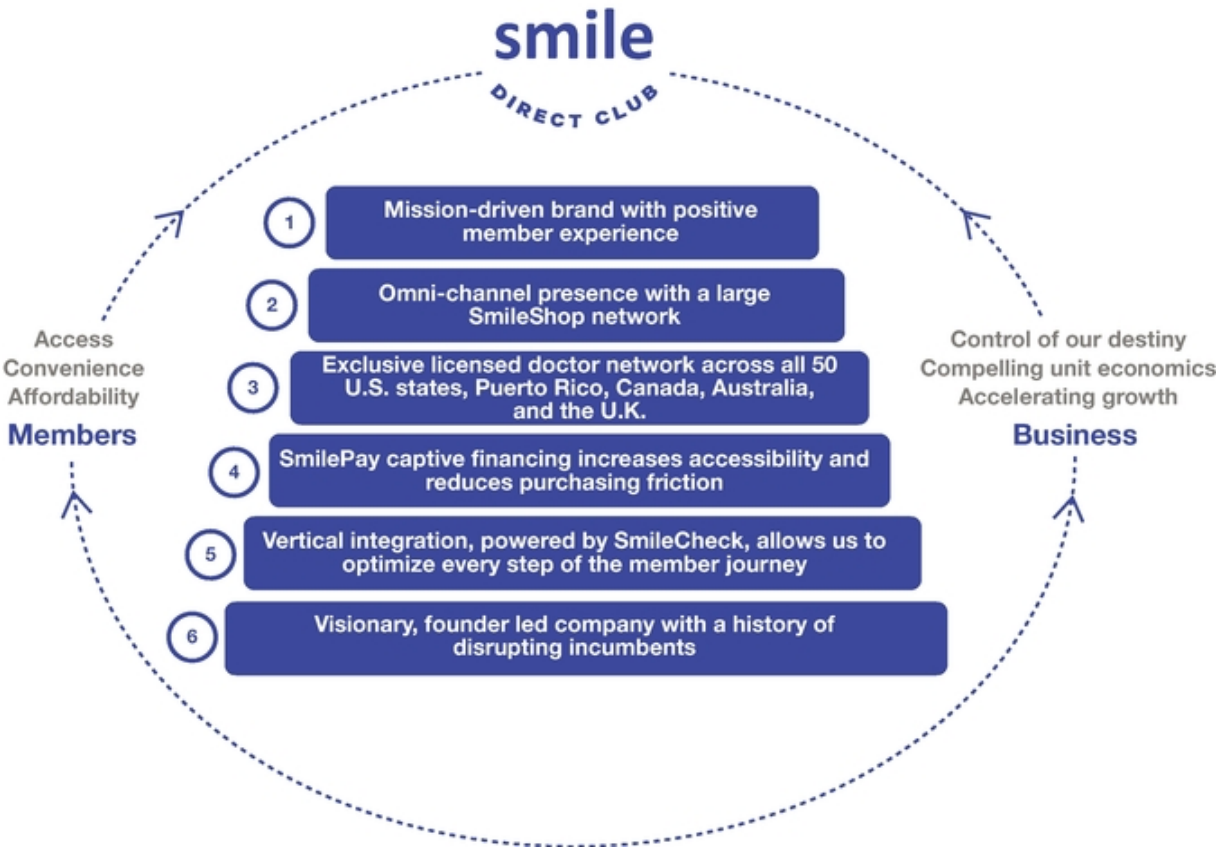
Our primary focus is on delivering an exceptional member experience. We have helped over 700,000 members, with an average net promoter score of 57 since inception, compared to an average net promoter score of 1 for the entire dental industry (according to West Monroe Partners), and an average rating of 4.9 out of 5 from over 100,000 member reviews on our website.



These are typical SmileDirectClub customers. Their average treatment length is six months. Individual results may vary.

Our Strengths

We believe our strengths will allow us to maintain and extend our position as the leading direct-to-consumer clear aligner provider. Below is a summary of our key strengths:



Mission-driven brand with positive member experience

Our mission is to democratize access to a smile each and every person loves, and we strive to create the best possible experience doing so. Our commitment to member experience has produced an average net promoter score of 57 since inception. More than 95% of our members surveyed would recommend our SmileShop experience to friends and over 20% of our members today come through referrals. We believe we enjoy the largest reach and presence on social media relative to our competitors, with over 500,000 likes on Facebook and over 300,000 followers on Instagram as of June 30, 2019. Clear aligners are a highly considered purchase, and our scale and member satisfaction are important criteria that will enable us to maintain our position as the leading direct-to-consumer clear aligner provider.

Omni-channel presence with a large SmileShop network

We empower members to choose how they would like to interact with us at the start of their journey. If a member chooses to order a doctor prescribed impression kit, we will mail one directly to their door. Alternatively, we have a network of over 300 SmileShops across the U.S., Puerto Rico, Canada, Australia, and the U.K., which provides an in-person experience to members who prefer that channel. In addition to our stand-alone SmileShops, we are opening SmileShops in partnership with prominent retailers, such as CVS and Walgreens. We believe our omni-channel strategy including online, retail stores, and partnership locations will further our brand awareness, and ultimately provide more opportunities to improve our member conversion.

Exclusive licensed doctor network across all 50 U.S. states, Puerto Rico, Canada, Australia, and the U.K.

We have a network of approximately 240 orthodontists and general dentists across the U.S., Puerto Rico, Canada, Australia, and the U.K. who are fully licensed across these jurisdictions to meet regulatory requirements, and we continue to successfully expand our doctor network to support our growth. The doctors in our network evaluate our members' progress throughout treatment, and are available to answer any questions should members need additional assistance.

SmilePay captive financing increases accessibility and reduces purchasing friction

SmilePay is a key element to democratizing access to care and removing price as a limiting factor for our members. As of June 30, 2019, approximately 65% of our members elect to purchase our clear aligners using SmilePay, which does not require a credit check. With SmilePay, a $250 down payment is required up front, which covers the cost of manufacturing the aligners. The remaining cost is financed over 24 months at an average monthly cost of $85 per month. For the year ended December 31, 2018 and the six months ended June 30, 2019, we offered SmilePay at an APR of approximately 17%, which had an associated delinquency rate of approximately 10% of revenue for the year ended December 31, 2018 and approximately 9% of revenue for the six months ended June 30, 2019. We believe SmilePay, as a captive offering, reduces purchasing friction by removing the complex third-party financing process, resulting in higher member conversion and a better overall member experience.

Vertical integration powered by SmileCheck allows us to optimize every step of the member journey

We are the first clear aligner company to build a scalable, integrated technology platform and doctor network for teledentistry. We manage the entire end-to-end process in a member's journey, from the moment a member visits the website all the way through aligner manufacturing, fulfillment, treatment by a member's doctor, and monitoring through completion of their treatment. Our proprietary software platform, SmileCheck, supports rapid and efficient communication between our members and their treating doctors, and the clinical and customer care teams.

Visionary, founder led company with a history of disrupting incumbents

Our founders have brought a wealth of business and operational knowledge with extensive experience in disrupting industries, particularly in direct-to-consumer offerings. We have built a culture of innovation and passion for creating smiles, supported by data-driven decision making, discipline, and member-centric service, while building multiple competitive advantages. We believe our management team is well positioned to execute our long-term growth strategy for our business and attract and retain best-in-class talent.

Our Growth Strategy

We believe there is significant opportunity to further grow our member base. We have helped over 700,000 members out of a worldwide opportunity of approximately 500 million members. We plan to grow by continuing to pursue the following key growth strategies:

Increase demand and conversion

Given that we have captured less than 1% of the total market opportunity, we plan to grow our member base by continuing to focus our marketing efforts on the approximately 85% of people globally who have malocclusion. We market our aligners through an omni-channel approach which has more than doubled our aided awareness since January of 2018, to 38% today, and has increased our referral rates from 15% to 21% over the same time period.

Each month, there are approximately five million unique visitors to our website. Approximately 1% of these visitors purchase aligners, up from approximately 0.5% in 2016. We have been able to double our

visitor to aligner conversion over the past two years as a result of our process engineering expertise. This expertise, along with our meticulous attention to each step of the member experience, enables us to continually improve conversion at each of the hundreds of touchpoints throughout the member journey. For example, over the past two years, we have increased SmileShop appointment show rates by 31% and impression kit acceptance rates by 44%. We have been able to accomplish these improvements in conversion through our customer relationship management ("CRM") strategies, educational efforts, technology advancements, and data-driven insights.

We see significant opportunity to continue increasing overall demand for our products and improving conversion at every touchpoint across our member acquisition funnel.

Expand services internationally

We launched in our first international market, Canada, in November 2018, our second international market, Australia, in the second quarter of 2019, and our third international market, the U.K., in the third quarter of 2019. With approximately 75% of the total market opportunity outside of the U.S., we see significant opportunity to grow internationally.

Introduce new products

We remain focused on developing products to further differentiate our offering and disrupt the oral care industry. For instance, we are developing and have already launched numerous ancillary products such as retainers, lip balm, MoveMints, BrightOn premium whitening, and an LED accelerator light. We believe that our growing suite of products will lengthen our relationship with our members and enhance our recurring stream of revenue.

In the third quarter of 2019, we launched our innovative Nighttime Clear Aligner product into the U.S. market, and we expect to roll out this new product into our other markets throughout the third and fourth quarters of 2019. This proprietary new product, which requires only 10 hours of nightly wear, will enable us to expand our market to customers who are unwilling or unable to wear aligners for the 22-hour daily wear cycle typically required with traditional clear aligner therapy.

Continue SmileShop rollout

SmileShops have been a key driver in expanding access to care by reducing the friction of purchase and improving our member conversion. These locations serve as a point of destination retail experience, providing members with an omni-channel opportunity to learn more about our aligners. We have over 300 SmileShops across the U.S., Puerto Rico, Canada, Australia, and the U.K., and expect to open approximately 20 new SmileShops per month for the remainder of 2019. In addition to our stand-alone SmileShops, we have entered into five-year non-exclusive agreements with both CVS Pharmacy, Inc. and Walgreen Co., pursuant to which we have the ability to open up to 1,500 SmileShops within CVS stores and any number of SmileShops within Walgreens stores across the country to increase accessibility, brand awareness, and member conversion. We are also exploring similar arrangements with other domestic and international retailers. See "*Our Business—SmileShops*."

Leverage data science and technology

With over 700,000 members helped to date, we have one of the largest repositories of data in the oral care sector. Using this data and artificial intelligence, along with other technologies, we believe we can enhance our existing offerings, improve our manufacturing, and introduce new products. We will leverage this same information and technology to develop and introduce new products.

Expand business partnerships

We have entered into agreements with United Healthcare and Aetna to include insurance coverage for our aligners on an in-network basis, which means our members who participate in these plans will no longer need to retroactively submit for reimbursement. Historically, while members may have been able to obtain reimbursement for clear aligner treatment from their insurance provider, our products have not been covered as an in-network benefit. These new agreements will decrease the upfront cost to our members and further streamline the complete revenue cycle management process, from eligibility check to payment posting. We are currently negotiating with other large insurance companies for similar arrangements. In addition, we are currently negotiating other business partnerships, such as corporate SmileDays and corporate discount programs, among others.

Selectively pursue M&A opportunities

We plan to leverage our know-how and our platform's expanding scale to selectively pursue acquisitions. Our acquisition strategy is centered on acquiring technologies, products, and capabilities that are highly scalable and that are complementary to our business model.

Risk Factors

Investing in our Class A common stock involves substantial risks. Before you participate in this offering, you should carefully consider all of the information contained in this prospectus, including the information set forth under the heading "*Risk Factors*." Some of the more significant risks include the following:

- We have a limited operating history and have grown significantly in a short period of time. If we fail to manage our growth effectively, our business could be materially adversely affected.
- We have a history of net losses and we may not achieve or maintain profitability in the future.
- Adverse changes in, or interpretations of, laws and regulations governing remote healthcare and the practice of dentistry could have a material adverse effect on our business.
- We have limited experience in manufacturing our products, and if we encounter manufacturing problems or delays, our ability to generate revenue will be limited.
- We offer a financing option to our members, which could adversely affect our financial results.
- Our success depends in part on our proprietary technology, and if we are unable to successfully enforce our intellectual property rights, our competitive position may be harmed.
- Complying with regulations enforced by FDA and other regulatory authorities is expensive and time-consuming, and failure to comply could result in substantial penalties.
- After the completion of this offering, pursuant to the Voting Agreement (as defined herein), David Katzman, our Chairman and Chief Executive Officer, will control a majority of the voting power of shares of our common stock eligible to vote in the election of our directors and on other matters submitted to a vote of our stockholders, and his interests may conflict with ours or yours in the future.
- Pursuant to the Tax Receivable Agreement (as defined herein), we will be required to pay the Continuing LLC Members (as defined herein) for certain tax benefits we may claim as a result of the tax basis step-up we receive in connection with this offering, as well as subsequent exchanges of LLC Units (as defined herein) for shares of Class A common stock or cash. In certain circumstances, payments under the Tax Receivable Agreement may be accelerated and/or significantly exceed the actual tax benefits we realize.

- Upon the listing of our Class A common stock on the NASDAQ Global Select Market, we will be a "controlled company" within the meaning of the corporate governance standards of NASDAQ. As a result, we will qualify for, and intend to rely on, exemptions from certain corporate governance standards. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

Implications of Being an Emerging Growth Company

We qualify as an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). For so long as we remain an emerging growth company, we are permitted and plan to rely on exemptions from certain disclosure requirements that are applicable to public companies that are not emerging growth companies. These provisions include, but are not limited to:

- being permitted to have only two years of audited financial statements and only two years of related selected financial data and management's discussion and analysis of financial condition and results of operations disclosure;
- an exemption from compliance with the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act");
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board (the "PCAOB") regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation arrangements in our periodic reports, registration statements, and proxy statements; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

In addition, the JOBS Act permits emerging growth companies to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies.

We will remain an emerging growth company until the earliest of (i) the end of the fiscal year following the fifth anniversary of the completion of this offering, (ii) the first fiscal year after our annual gross revenues exceed $1.07 billion, (iii) the date on which we have, during the immediately preceding three-year period, issued more than $1.00 billion in non-convertible debt securities, or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeds $700 million as of the end of the second quarter of that fiscal year.

Organizational Structure

In connection with the consummation of this offering, we will effect certain reorganizational transactions, which we refer to collectively as the "Reorganization Transactions" (as more fully described under "*Organizational Structure—Reorganization Transactions*"), such that subsequent to the Reorganization Transactions and this offering, we will conduct our business through what is commonly referred to as an Umbrella Partnership-C Corporation or "Up-C" structure, which is often used by partnerships and limited liability companies when they decide to undertake an initial public offering.

Following the consummation of the Reorganization Transactions and this offering, we will be a holding company. Our sole material asset will be our equity interest in SDC Financial which, through its direct and indirect subsidiaries, conducts all of our operations. Because SDC Inc. will be the managing

member of SDC Financial, we will indirectly operate and control all of the business and affairs (and will consolidate the financial results) of SDC Financial and its subsidiaries.

Prior to the consummation of the Reorganization Transactions and this offering, the capital structure of SDC Financial held by current investors (collectively, the "Pre-IPO Investors") consists of (i) five classes of outstanding membership units ("Pre-IPO Units"), including unvested restricted membership units ("Restricted Units") held by certain employees, and (ii) warrants to acquire membership units ("Warrants") held by two service providers.

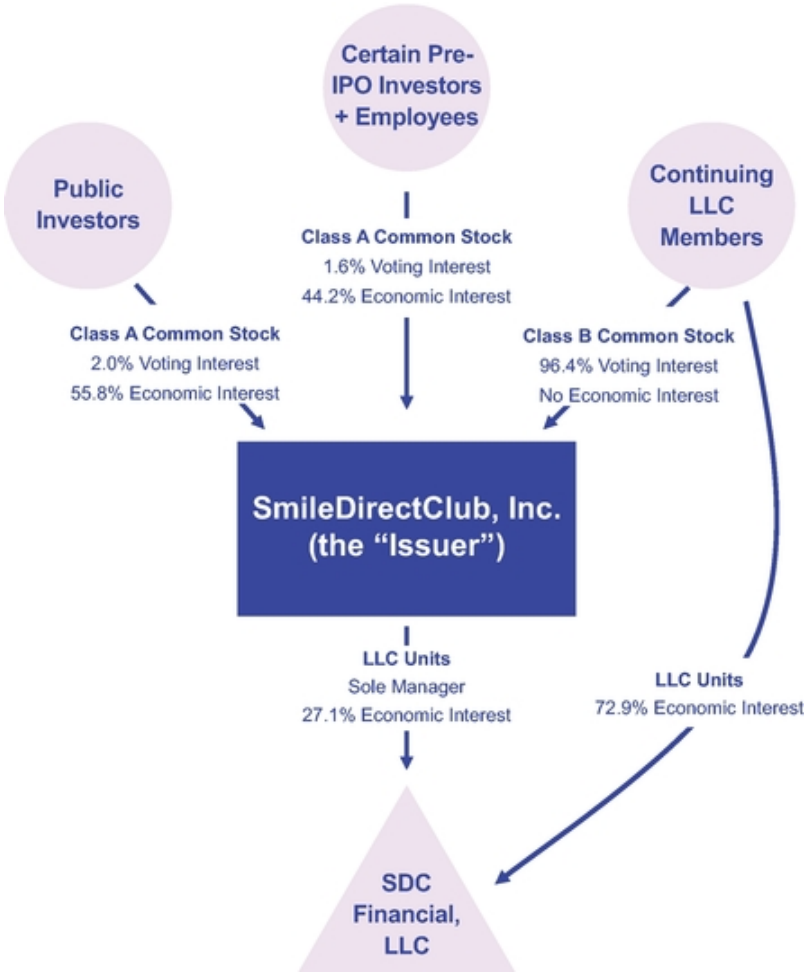
Prior to the closing of this offering, (i) SDC Inc. will acquire, pursuant to one or more mergers (the "Blocker Mergers"), the Pre-IPO Units held by certain Pre-IPO Investors (the "Blockers"), and will issue to the equityholders of the Blockers (the "Blocker Shareholders") shares of Class A common stock as consideration in the Blocker Mergers; (ii) the operating agreement of SDC Financial (the "SDC Financial LLC Agreement") will be amended and restated to, among other things, modify the capital structure of SDC Financial by replacing the different classes of Pre-IPO Units (including Restricted Units) with a single new class of membership interests of SDC Financial ("LLC Units"); (iii) we will issue to each of the Pre-IPO Investors previously holding Pre-IPO Units (including Restricted Units) a number of shares of our Class B common stock equal to the number of LLC Units held by it; (iv) certain employees with Incentive Bonus Agreements ("IBAs") will receive a bonus in cash, shares of Class A common stock that will vest immediately (subject to lock-up restrictions on transfer), in connection with this offering, and/or additional shares of Class A common stock that will vest monthly over the next 24-48 months; and (v) outstanding Warrants will be equitably adjusted, pursuant to their terms, into warrants to acquire LLC Units (together with an equal number of shares of our Class B common stock). In connection with this offering, the vesting requirements applicable to certain of the Restricted Units will be partially accelerated. Following consummation of the Reorganization Transactions, the Warrants, as well as LLC Units and shares of Class B common stock issued in respect of Restricted Units that do not vest in connection with this offering, will be subject to the same vesting, exercise and/or forfeiture conditions as the previously held securities in SDC Financial, as applicable.

We intend to use substantially all of the net proceeds we receive from this offering (including from any exercise of the underwriters' option to purchase additional shares of Class A common stock) to purchase a number of newly issued LLC Units from SDC Financial, as described under "*Organizational Structure—Offering-Related Transactions*." We intend to cause SDC Financial to use a portion of such proceeds to purchase and cancel LLC Units from Pre-IPO Investors at a price per LLC Unit equal to the public offering price per share of Class A common stock in this offering, less the underwriting discount. In addition, we intend to use a portion of the net proceeds to purchase shares of Class A common stock from the Blocker Shareholders at a price per share equal to the public offering price per share of Class A common stock in this offering, less the underwriting discount. See "*Use of Proceeds*" and "*Certain Relationships and Related Party Transactions—Purchase of LLC Unit*s."

Subject to the terms and conditions of the SDC Financial LLC Agreement, holders (other than SDC Inc.) of LLC Units following the consummation of the Reorganization Transactions and the consummation of this offering and the use of proceeds therefrom ("Continuing LLC Members") will have the right to exchange their LLC Units (with automatic cancellation of an equal number of shares of Class B common stock) for shares of our Class A common stock on a one-for-one basis, subject to customary adjustments for stock splits, stock dividends and reclassifications, or for cash (based on the market price of shares of Class A common stock), with the form of consideration determined by the disinterested members of our board of directors. As Continuing LLC Members exchange their LLC Units, those LLC Units thereafter will be owned by SDC Inc. and SDC Inc.'s interest in SDC Financial will be correspondingly increased. The corresponding shares of Class B common stock will be cancelled.

For additional details, see "*Organizational Structure*" and "*Certain Relationships and Related Party Transactions*."

The diagram below depicts our simplified organizational structure immediately following the consummation of the Reorganization Transactions and the consummation of this offering and the use of proceeds therefrom, assuming no exercise by the underwriters of their option to purchase additional shares of Class A common stock.



Corporate Information

SDC Inc. was incorporated in the State of Delaware on April 11, 2019. Our principal executive office is located at 414 Union Street, Nashville, Tennessee 37219, our telephone number is (800) 848-7566, and our website address is www.SmileDirectClub.com. The information contained in, or that can be accessed through, our website is not incorporated by reference into, and is not part of, this prospectus.

THE OFFERING

Issuer	SmileDirectClub, Inc.
Class A common stock offered by us	58,537,000 shares of Class A common stock (or 67,317,550 shares if the underwriters' option to purchase additional shares of Class A common stock is exercised in full).
Underwriters' option to purchase additional shares	We have granted the underwriters the option to purchase up to an additional 8,780,550 shares of Class A common stock.
Common stock to be outstanding after giving effect to this offering and the use of proceeds therefrom	104,825,858 shares of Class A common stock (or 112,659,359 shares if the underwriters' option to purchase additional shares of Class A common stock is exercised in full). If all outstanding LLC Units held by the Continuing LLC Members were exchanged (with automatic cancellation of an equal number of shares of Class B common stock) for newly issued shares of Class A common stock on a one-for-one basis, 386,689,624 shares of Class A common stock (or 387,312,055 shares if the underwriters' option to purchase additional shares of Class A common stock is exercised in full) would be outstanding. 281,863,766 shares of Class B common stock (or 274,652,696 shares if the underwriters' option to purchase additional shares of Class A common stock is exercised in full), equal to one share per LLC Unit outstanding (other than any LLC Units owned by SDC Inc.), based upon an assumed initial public offering price of $20.50 per share of Class A common stock, which is the midpoint of the estimated price range set forth on the cover page of this prospectus. Each $1.00 increase in the initial public offering price per share of Class A common stock from the midpoint of the estimated price range set forth on the cover page of this prospectus would decrease the total number of shares of Class A common stock outstanding by 58,152 shares and the total number of shares of Class B common stock outstanding by 795,155 shares, in each case, after the Reorganization Transactions and this offering and the use of proceeds therefrom. Each $1.00 decrease in the initial public offering price per share of Class A common stock from the midpoint of the estimated price range set forth on the cover page of this prospectus would increase the total number of shares of Class A common stock outstanding by 58,152 shares and the total number of shares of Class B common stock outstanding by 795,155 shares, in each case, after the Reorganization Transactions and this offering and the use of proceeds therefrom.

	Each 1,000,000 increase in the number of shares of Class A common stock issued and sold at the midpoint of the estimated price range set forth on the cover page of this prospectus would increase the total number of shares of Class A common stock outstanding by 903,481 shares and decrease the total number of shares of Class B common stock outstanding by 734,916 shares, in each case, after the Reorganization Transactions and this offering and the use of proceeds therefrom.
Voting	Each share of our Class A common stock entitles its holder to one vote on all matters to be voted on by stockholders generally. After this offering, the Continuing LLC Members will hold an equal number of shares of Class B common stock and LLC Units. The shares of Class B common stock have no economic rights, but each share of Class B common stock initially entitles its holder to ten votes on all matters to be voted on by stockholders generally. Upon the earlier of (i) the ten-year anniversary of the consummation of this offering or (ii) the date on which the shares of Class B common stock held by the Voting Group and their permitted transferees represent less than 15% of the Class B common stock held by the Voting Group and their permitted transferees as of immediately following the consummation of this offering, each share of Class B common stock will entitle its holder to one vote per share on all matters to be voted upon by stockholders generally. See "*Description of Capital Stock—Common Stock—Class B common stock*." Holders of our Class A and Class B common stock vote together as a single class on all matters presented to our stockholders for their vote or approval, except as otherwise required by applicable law. In connection with the Reorganization Transactions and prior to the consummation of the offering, certain trusts affiliated with David Katzman, our Chairman and Chief Executive Officer, Steven Katzman, our Chief Operating Officer, Jordan Katzman and Alexander Fenkell, our co-founders, and certain of their affiliated trusts and entities (collectively, the "Voting Group"), will enter into a voting agreement (the "Voting Agreement"), pursuant to which the Voting Group will give David Katzman sole voting, but not dispositive, power over the shares of our Class A and Class B common stock beneficially owned by the Voting Group. See "*Certain Relationships and Related Party Transactions—Voting Agreement*."

Voting power held by holders of Class A common stock after giving effect to this offering and the use of proceeds therefrom	3.6% (or 3.9% if the underwriters' option to purchase additional shares of Class A common stock is exercised in full), of which 44.2% (or 40.2% if the underwriters' option to purchase additional shares of Class A common stock is exercised in full) will be held immediately after this offering by certain Pre-IPO Investors and employees and 55.8% (or 59.8% if the underwriters' option to purchase additional shares of Class A common stock is exercised in full) will be held by the investors participating in this offering, based upon an assumed initial public offering price of $20.50 per share of Class A common stock, which is the midpoint of the estimated price range set forth on the cover page of this prospectus.
Voting power held by holders of Class B common stock after giving effect to this offering and the use of proceeds therefrom	96.4% (or 96.1% if the underwriters' option to purchase additional shares of Class A common stock is exercised in full), based upon an assumed initial public offering price of $20.50 per share of Class A common stock, which is the midpoint of the estimated price range set forth on the cover page of this prospectus.
Use of proceeds	We estimate that our net proceeds from this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $1,132.3 million (or $1,299.5 million if the underwriters' option to purchase additional shares of Class A common stock is exercised in full) based upon an assumed initial public offering price of $20.50 per share of Class A common stock, which is the midpoint of the estimated price range set forth on the cover page of this prospectus. We intend to use such proceeds as follows: • approximately $493.4 million (or approximately $664.4 million if the underwriters' option to purchase additional shares of Class A common stock is exercised in full) to purchase and cancel LLC Units from Pre-IPO Investors and shares of Class A common stock from the Blocker Shareholders, in each case at a price per LLC Unit and share of Class A common stock equal to the public offering price per share of Class A common stock in this offering, less the underwriting discount; • approximately $25.4 million to pay incentive bonuses to certain employees pursuant to the IBAs, as further described in "*Executive and Director Compensation—Incentive Bonus Agreements*";

- approximately $101.7 million to fund the tax withholding and remittance obligations related to the IBAs, as further described in "*Executive and Director Compensation—Incentive Bonus Agreements*";

- approximately $111.2 million to purchase and cancel LLC Units from the non-Series A Pre-IPO Investors pursuant to the terms of our 2018 Private Placement (as defined herein), as further described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—2018 Private Placement*";

- up to $43.4 million to fund a distribution to the non-Series A Pre-IPO Investors, which distribution will be payable upon determination of the outcome and amount payable, if any, in connection with an arbitration proceeding with Align, as further described in "*Dividend Policy*." Investors in this offering will not be entitled to any portion of this distribution; and

- approximately $357.1 million for general corporate purposes, including, but not limited to, international expansion, innovation, research and development, and working capital.

If the net proceeds from this offering are greater than the estimated net proceeds set forth herein, we expect to use the additional proceeds to purchase and cancel additional LLC Units and shares of Class A common stock from Pre-IPO Investors at a price per LLC Unit or share of Class A common stock equal to the public offering price per share of Class A common stock in this offering, less the underwriting discount. If the net proceeds from this offering are less than the estimated net proceeds set forth herein, we expect to purchase and cancel fewer LLC Units and shares of Class A common stock from Pre-IPO Investors. See "*Use of Proceeds*" and "*Executive and Director Compensation—Incentive Bonus Agreements*."

Dividend policy

We have no current plans to pay dividends on our Class A common stock. Any future determination to pay dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual, legal, tax and regulatory restrictions, general business conditions and other factors that our board of directors may deem relevant.

	Subject to having available cash and subject to limitations imposed by applicable law and contractual restrictions (including pursuant to our debt instruments), the SDC Financial LLC Agreement requires SDC Financial to make certain distributions to SDC Inc. and the Continuing LLC Members, pro rata, in order to facilitate the payment of taxes with respect to the income of SDC Financial that is allocated to us and them. To the extent that the tax distributions we receive exceed the amounts we actually require to pay taxes, Tax Receivable Agreement payments, and other expenses, we will not be required to distribute such excess cash. See "*Dividend Policy*" for details on how we might use such excess cash.
Listing	We have applied to list our Class A common stock on the NASDAQ Global Select Market under the symbol "SDC."
Exchange rights of the Continuing LLC Members	Prior to the closing of this offering, we will complete the Reorganization Transactions described in "*Organizational Structure*."
	Subject to the terms and conditions of the SDC Financial LLC Agreement, the Continuing LLC Members will have the right to exchange their LLC Units (with automatic cancellation of an equal number of shares of Class B common stock) for shares of our Class A common stock on a one-for-one basis, subject to customary adjustments for stock splits, stock dividends and reclassifications, or for cash (based on the market price of shares of Class A common stock), with the form of consideration determined by the disinterested members of our board of directors. We have reserved for issuance shares of Class A common stock in respect of the aggregate number of shares of Class A common stock that may be issued upon exchange of LLC Units. See "*Certain Relationships and Related Party Transactions—SDC Financial LLC Agreement—Exchange rights*."

Tax Receivable Agreement	Our purchase of LLC Units from the Pre-IPO Investors in connection with this offering, as described under "*Use of Proceeds*," and any future exchanges of LLC Units for SDC Inc.'s Class A common stock or cash are expected to result in increases in SDC Inc.'s allocable tax basis in the assets of SDC Financial that otherwise would not have been available to SDC Inc. These increases in tax basis are expected to provide SDC Inc. with certain tax benefits that can reduce the amount of cash tax that SDC Inc. otherwise would be required to pay in the future. SDC Inc. and SDC Financial will enter into a tax receivable agreement (the "Tax Receivable Agreement") with the Continuing LLC Members, pursuant to which SDC Inc. will agree to pay the Continuing LLC Members 85% of the cash savings, if any, in U.S. federal, state, and local income tax or franchise tax that SDC Inc. actually realizes as a result of (a) the increases in tax basis attributable to exchanges by Continuing LLC Members and (b) tax benefits related to imputed interest deemed to be paid by us as a result of the Tax Receivable Agreement. See "*Certain Relationships and Related Party Transactions—Tax Receivable Agreement*."
Registration Rights Agreement	We are party to a Registration Rights Agreement (the "Registration Rights Agreement"), whereby, following this offering and the expiration of the related 180-day lock-up period, we may be required to register under the Securities Act of 1933, as amended (the "Securities Act"), the sale of shares of our Class A common stock held by Pre-IPO Investors, including shares that may be issued to Continuing LLC Members upon exchange of their LLC Units. See "*Certain Relationships and Related Party Transactions—Registration Rights Agreement*."
Directed Share Program	At our request, the underwriters have reserved up to 5% of the Class A common stock being offered by this prospectus for sale at the initial public offering price to our directors, officers, employees, other individuals associated with us, and members of their families. The sales will be made by UBS Financial Services Inc., a selected dealer affiliated with UBS Securities LLC, an underwriter of this offering, through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares of Class A common stock. Participants in the directed share program who are allocated any shares shall be subject to a 180-day lock-up with respect to any shares sold to them pursuant to that program. See "*Underwriting (Conflicts of Interest)*" for more information.

Conflicts of Interest	As described in "*Use of Proceeds*" and "*Certain Relationships and Related Party Transactions—Purchase of LLC Units*," a portion of the net proceeds from this offering will be received by certain of our directors and officers (the "Margin Loan Parties"). A portion of the proceeds received by the Margin Loan Parties, in an amount greater than 5% of the total net proceeds in this offering, will be used to repay borrowings by the Margin Loan Parties under certain margin loans with an affiliate of UBS Securities LLC. Because UBS Securities LLC is an underwriter in this offering and one of its affiliates will receive 5% or more of the net proceeds from the sale of our Class A common stock in this offering, UBS Securities LLC is deemed to have a "conflict of interest" under Rule 5121 ("Rule 5121") of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Accordingly, this offering is being made in compliance with the requirements of Rule 5121. Pursuant to that rule, the appointment of a "qualified independent underwriter" is not required in connection with this offering as the members primarily responsible for managing the public offering do not have a conflict of interest, are not affiliates of any member that has a conflict of interest, and meet the requirements of paragraph (f)(12)(E) of Rule 5121. See "*Underwriting (Conflicts of Interest)*."
Risk Factors	Investing in our Class A common stock involves substantial risks. See "*Risk Factors*" for a discussion of risks you should carefully consider before deciding to invest in our Class A common stock.

Unless otherwise indicated or the context otherwise requires, the number of shares of Class A common stock outstanding and other information in this prospectus:

- gives effect to the Reorganization Transactions and assumes the effectiveness of our amended and restated certificate of incorporation and bylaws, which we will adopt prior to completion of this offering;
- assumes an initial public offering price of $20.50 per share of Class A common stock, which is the midpoint of the estimated price range set forth on the cover page of this prospectus;
- assumes that the underwriters do not exercise their option to purchase 8,780,550 additional shares of Class A common stock from us;
- excludes 281,863,766 shares of Class A common stock issuable upon the exchange of 281,863,766 LLC Units (with automatic cancellation of an equal number of shares of Class B common stock), including those that may be issued in respect of Restricted Units, that will be held by the Pre-IPO Investors immediately following this offering;
- excludes up to 1,475,071 shares of Class A common stock issuable upon exchange of 1,475,071 LLC Units (with automatic cancellation of an equal number of shares of Class B common stock), which are issuable upon exercise of Warrants with a weighted-average exercise price of $0.69; and
- excludes a number of shares of Class A common stock reserved for issuance under our Omnibus Plan and SPP (each as defined herein) equal to the greater of 55,412,074 or 11.5% of the authorized, issued, and outstanding shares of Class A common stock as of the consummation of this offering.

If we issue and sell a number of shares of Class A common stock in excess of the number of shares set forth on the cover page of this prospectus, we expect to use the additional net proceeds to purchase and cancel additional LLC Units and shares of Class A common stock from Pre-IPO Investors at a price per LLC Unit or share of Class A common stock equal to the public offering price per share of Class A common stock in this offering, less the underwriting discount. As a result, the total numbers of outstanding shares of Class A common stock, LLC Units, and shares of Class B common stock, as well as the relative percentages of equity ownership and voting power of the holders of Class A common stock and Class B common stock, will be adjusted accordingly from the information presented herein.

SUMMARY HISTORICAL AND PRO FORMA CONSOLIDATED FINANCIAL DATA

The following tables set forth summary historical consolidated financial data of SDC Financial at the dates and for the periods indicated. SDC Financial is considered the predecessor of SDC Inc. for accounting purposes, and its historical consolidated financial statements will be our historical consolidated financial statements following this offering. The statements of operations data for the years ended December 31, 2018 and 2017, and balance sheet data as of December 31, 2018 and 2017, are derived from the audited consolidated financial statements of SDC Financial and related notes included elsewhere in this prospectus. The condensed consolidated statements of operations data for the six months ended June 30, 2019 and 2018, and balance sheet data as of June 30, 2019, are derived from the unaudited condensed consolidated financial statements of SDC Financial and related notes included elsewhere in this prospectus. The summary historical financial data of SDC Inc. has not been presented because SDC Inc. is a newly incorporated entity and has not engaged in any business or other activities except in connection with its formation and initial capitalization.

The summary unaudited pro forma consolidated statement of operations data and balance sheet data for the six months ended June 30, 2019 and the fiscal year ended December 31, 2018 and as of June 30, 2019, present our consolidated results of operations and financial position after giving pro forma effect to (i) the Reorganization Transactions and this offering, as described under "*Organizational Structure*," as if such transactions occurred on January 1, 2018 with respect to the pro forma consolidated statement of operations data and June 30, 2019 with respect to the pro forma consolidated balance sheet data; (ii) the use of the estimated net proceeds from this offering, as described under "*Use of Proceeds*"; and (iii) the effects of the Tax Receivable Agreement, as described under "*Certain Relationships and Related Party Transactions—Tax Receivable Agreement*." The pro forma adjustments are based on available information and upon assumptions that our management believes are reasonable in order to reflect their impact, on a pro forma basis, on the historical financial information of SDC Financial. The summary unaudited pro forma consolidated financial information is included for informational purposes only and does not purport to reflect the results of operations or financial position of SDC Inc. that would have occurred had SDC Inc. been in existence or operated as a public company or otherwise during the periods presented. The unaudited pro forma consolidated financial information should not be relied upon as being indicative of our results of operations or financial position had the described transactions occurred on the dates assumed. The unaudited pro forma consolidated financial information also does not project our results of operations or financial position for any future period or date.

The following summary historical and pro forma consolidated financial data is qualified in its entirety by reference to, and should be read in conjunction with, our audited consolidated financial statements and related notes, and the information under "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Selected Consolidated Historical Financial Data*," "*Unaudited Consolidated Pro Forma Financial Information*," and other financial information included in this prospectus. Historical results included below and elsewhere in this prospectus are not necessarily indicative of our future performance.

(in thousands, except share related amounts)	Pro Forma As Adjusted Six months ended June 30, 2019	Six months ended June 30, 2019	Six months ended June 30, 2018	Pro Forma As Adjusted Year ended December 31, 2018	Years ended December 31, 2018	Years ended December 31, 2017
	(unaudited)	(unaudited)		(unaudited)		
Statements of Operations Data:						
Total revenues	$ 373,530	$ 373,530	$ 175,064	$ 423,234	$ 423,234	$ 145,954
Cost of revenues	83,580	83,580	60,377	133,968	133,968	64,011
Gross profit	289,950	289,950	114,687	289,266	289,266	81,943
Marketing and selling expenses	209,146	209,146	86,457	213,080	213,080	64,243
General and administrative expenses	111,764	96,490	47,301	167,824	121,743	48,202
Loss from operations	(30,960)	(15,686)	(19,071)	(91,638)	(45,557)	(30,502)
Total interest expense	7,391	7,391	5,884	13,705	13,705	2,148
Loss on extinguishment of debt	29,640	29,640	—	—	—	—
Other expense	81	81	8,642	15,148	15,148	—
Net loss before provision for income tax expense	(68,072)	(52,798)	(33,597)	(120,491)	(74,410)	(32,650)
Provision for income tax expense	117	117	209	361	361	128
Net loss	$ (68,189)	$ (52,915)	$ (33,806)	$ (120,852)	$ (74,771)	$ (32,778)
Net loss attributable to non-controlling interest	$ (49,704)			$ (88,091)		
Net loss attributable to SDC Inc.	$ (18,485)			$ (32,761)		
Per Share Data:						
Pro forma net loss per share:						
Basic	$ (0.18)			$ (0.31)		
Diluted	$ (0.18)			$ (0.31)		
Pro forma weighted-average shares used to compute net loss per share:						
Basic	104,825,858			104,825,858		
Diluted	386,689,624			386,689,624		
Other data:						
Adjusted EBITDA(a)	$ 2,299	$ 2,299	$ (8,464)	$ (16,857)	$ (16,857)	$ (21,129)

(a) For the definition of the non-GAAP financial measure of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to our most directly comparable financial measure calculated in accordance with GAAP, please read "*—Non-GAAP Financial Measures*."

(in thousands)	Pro Forma As Adjusted As of June 30, 2019 (unaudited)	As of June 30, 2019 (unaudited)	As of December 31, 2018
Balance Sheet Data:			
Cash	$ 506,170	$ 149,088	$ 313,929
Total assets	897,342	542,519	555,194
Total liabilities	$ 343,336	$ 343,336	$ 256,997
Redeemable Series A Preferred Units	—	425,188	388,634
Total members'/stockholders' deficit	554,006	(226,005)	(90,437)
Total liabilities, Redeemable Series A Preferred Units and members'/stockholders' deficit	$ 897,342	$ 542,519	$ 555,194

Non-GAAP Financial Measures

To supplement our consolidated financial statements presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"), we also present Adjusted EBITDA, a financial measure which is not based on any standardized methodology prescribed by GAAP.

We define Adjusted EBITDA as net loss before provision for income tax expense, interest expense, depreciation and amortization, and loss on disposal of property, plant and equipment, adjusted to remove derivative fair value adjustments, loss on extinguishment of debt, foreign currency adjustments, and equity-based compensation. Adjusted EBITDA does not have a definition under GAAP, and our definition of Adjusted EBITDA may not be the same as, or comparable to, similarly titled measures used by other companies.

We use Adjusted EBITDA when evaluating our performance when we believe that certain items are not indicative of operating performance. Adjusted EBITDA provides useful supplemental information to management regarding our operating performance and we believe it will provide the same to stockholders.

We believe that Adjusted EBITDA will provide useful information to stockholders about our performance, financial condition, and results of operations for the following reasons: (i) Adjusted EBITDA would be among the measures used by our management team to evaluate our operating performance and make day-to-day operating decisions and (ii) Adjusted EBITDA is frequently used by securities analysts, investors, lenders, and other interested parties as a common performance measures to compare results or estimate valuations across companies in our industry.

Adjusted EBITDA should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. There are a number of limitations related to the use of Adjusted EBITDA rather than net loss, the most directly comparable GAAP financial measure, including:

- Adjusted EBITDA does not reflect changes in, or cash requirements for working capital needs;
- Adjusted EBITDA does not reflect interest expense or the cash requirements necessary to service interest or principal payments on indebtedness;
- Adjusted EBITDA does not reflect provision for income tax expense or the cash requirements to pay taxes;
- Adjusted EBITDA does not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect the impact on earnings or changes resulting from matters that are considered not to be indicative of our future operations;

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA includes financing income, but not the interest expense to carry the related receivables; and
- other companies in our industry may calculate Adjusted EBITDA differently, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered as discretionary cash available to us to reinvest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. You should consider Adjusted EBITDA alongside other financial measures, including net loss and our other financial results, presented in accordance with GAAP.

A reconciliation of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure, is set forth below:

(in thousands)	Pro Forma As Adjusted Six months ended June 30, 2019	Six months ended June 30,		Pro Forma As Adjusted Year ended December 31, 2018	Years ended December 31,	
		2019	2018		2018	2017
	(unaudited)	(unaudited)		(unaudited)		
Net loss	$ (68,189)	$ (52,915)	$ (33,806)	$ (120,852)	$ (74,771)	$ (32,778)
Depreciation and amortization	9,723	9,723	2,735	8,861	8,861	2,513
Total interest expense	7,391	7,391	5,884	13,705	13,705	2,148
Income tax expense (benefit)	117	117	209	361	361	128
Loss on disposal of property, plant and equipment	—	—	—	617	617	—
Fair value adjustment of warrant derivative	—	—	8,624	14,500	14,500	—
Loss on extinguishment of debt	29,640	29,640	—	—	—	—
Equity-based compensation	23,536	8,262	7,872	65,920	19,839	6,860
Other	81	81	18	31	31	—
Adjusted EBITDA	$ 2,299	$ 2,299	$ 16,888	$ (16,857)	$ (16,857)	$ (21,129)

RISK FACTORS

The following section discusses material risks and uncertainties that could adversely affect our business, financial condition, and results of operations. Investing in our Class A common stock involves substantial risks. You should carefully consider the following risk factors, as well as all of the other information contained in this prospectus, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the consolidated financial statements and related notes thereto included elsewhere in this prospectus, before deciding to invest in our Class A common stock. The occurrence of any of the following risks could materially and adversely affect our business, strategies, prospects, financial condition, results of operations, and cash flows. In such case, the market price of our Class A common stock could decline and you could lose all or part of your investment.

Risks Related to Our Business

We have a limited operating history and have grown significantly in a short period of time. If we fail to manage our growth effectively, our business could be materially adversely affected.

We were organized and began selling clear aligners manufactured by third parties in 2014, and we began selling clear aligners manufactured by us in 2016. Accordingly, we have a limited operating history, which makes an evaluation of our future prospects difficult. Our operating results have fluctuated in the past and we expect our future quarterly and annual operating results to fluctuate as we focus on increasing demand for our products. We may need to make business decisions that could adversely affect our operating results, such as modifications to our pricing policy, business structure, or operations.

In addition, we have grown rapidly since inception and anticipate further growth. For example, our total revenues increased from $20.6 million for the year ended December 31, 2016 to $423.2 million for the year ended December 31, 2018, and were $373.5 million for the six months ended June 30, 2019. The number of our full-time employees increased from approximately 225 at December 31, 2016 to approximately 5,000 at June 30, 2019. We have continually been expanding our Nashville, Tennessee headquarters since 2015, and completed the build-out of our Antioch, Tennessee manufacturing facilities in 2018. We opened an Escazu, Costa Rica facility in 2016, expanded the Escazu facility and opened a San Jose, Costa Rica facility in 2017, and replaced the Escazu facility with a larger Cartago, Costa Rica facility in 2018. We also expect to open an additional manufacturing facility near Austin, Texas in late 2019.

This growth has placed significant demands on our management, financial, operational, technological, and other resources, and we expect that our growth will continue to place significant demands on our management and other resources and will require us to continue developing and improving our operational, financial, and other internal controls, both in the U.S. and internationally. In particular, continued growth increases the challenges involved in a number of areas, including: recruiting and retaining sufficient skilled personnel, providing adequate training and supervision to maintain our high quality standards, and preserving our culture and values. We may not be able to address these challenges in a cost-effective manner or at all. If we do not effectively manage our growth, we may not be able to execute on our business plan, respond to competitive pressures, take advantage of market opportunities, satisfy member requirements, or maintain high-quality product offerings, and our business, financial condition, and results of operations could be materially harmed.

We have a history of net losses and we may not achieve or maintain profitability in the future.

We have incurred net operating losses since inception. For the years ended December 31, 2018 and 2017, we incurred net losses of $(74.8) million and $(32.8) million, respectively, and we incurred $(52.9) million of net losses for the six months ended June 30, 2019. From inception through the present, we have spent significant funds in organizational and start-up activities, to recruit key managers and employees, to develop our clear aligners, to develop our manufacturing and member support resources,

and for research and development. It is possible that we will not achieve profitability or that, even if we do achieve profitability, we may not maintain or increase profitability in the future.

We depend on sales of our clear aligners for the vast majority of our net revenues. Demand for our clear aligners may not increase as rapidly as we anticipate due to a variety of factors, including consumer reluctance to accept teledentistry, a weakness in general economic conditions, or competitive pressures.

We expect that net revenues from sales of our clear aligners will continue to account for the vast majority of our total net revenues for the foreseeable future. Continued and widespread market acceptance of teledentistry by consumers is critical to our future success. Delivery of clear aligners via a teledentistry model represents a change from traditional orthodontic treatment, which requires in-person visits, and consumers may be reluctant to accept this model or may not find it preferable to traditional treatment. In addition, consumers may not respond to our direct marketing campaigns or we may be unsuccessful in reaching our target audience, particularly in foreign jurisdictions where our advertising may be more heavily regulated. If consumers prove unwilling to adopt our teledentistry model as rapidly or in the numbers that we anticipate, our operating results could be materially harmed.

Consumer spending habits are affected by, among other things, prevailing economic conditions, levels of employment, salaries and wage rates, consumer confidence, and consumer perception of economic conditions. In many markets, dental and orthodontic reimbursement is largely out of pocket for the consumer and, as result, utilization rates can vary significantly depending on economic growth. A general slowdown in the U.S. economy and certain international economies into which we have recently expanded or plan to expand or an uncertain economic outlook could adversely affect consumer spending habits, which may result in, among other things, a decrease in the number of overall orthodontic case starts, a reduction in consumer spending on elective or higher value procedures, or a reduction in demand for dental and orthodontic services generally, each of which would have an adverse effect on our sales and operating results. Weakness in the global economy results in a challenging environment for selling dental and orthodontic technologies. If there is a reduction in consumer demand for orthodontic treatment generally, if consumers choose to use a competitive product rather than our clear aligners, or if the average selling price of our clear aligners declines as a result of economic conditions, competitive pressures, or any other reason, our business, results of operations, and financial condition could be materially harmed.

Adverse changes in, or interpretations of, laws, rules, and regulations governing remote healthcare and the practice of dentistry could have a material adverse effect on our business.

Our current business model is dependent, in part, on current laws, rules, and regulations governing remote healthcare and the practice of dentistry. If changes in laws, rules, regulations, or their interpretations are inconsistent with our current business model, we would need to adapt our business model accordingly, and our operations in certain jurisdictions may be disrupted, which could have a material adverse effect on our business, financial condition, and results of operations. See "*—Risks Related to Legal and Regulatory Matters—Our business could be adversely affected by ongoing professional and legal challenges to our business model or by new state actions restricting our ability to provide our products and services in certain states*."

We face competition in the market for our clear aligners, and we expect competition from existing competitors and other companies that may enter the market or introduce new technologies in the future, which may decrease our net revenues.

We compete with a handful of smaller companies that collectively have limited market share in the direct-to-consumer clear aligner industry, including Candid Co., Smilelove, and SnapCorrect. To a lesser extent, we also face competition from more well-established competitors in the traditional orthodontic industry, which requires in-person visits, such as Align Technology, Inc. ("Align"). We expect some additional competition from other teledentistry solutions, and from new entrants into the orthodontic

supply or clear aligner markets. Some of these competitors may have greater resources as well as the ability to leverage existing channels in the dental market to compete directly with us. In addition, we may also face future competition from companies that introduce new technologies. We may be unable to compete with these competitors, and one or more of these competitors may render our technology obsolete or economically unattractive. As we continue to expand internationally, we will face additional competition in geographies outside the U.S. If we are unable to compete effectively with existing products or respond effectively to any new products developed by competitors, our business could be materially harmed. Increased competition may result in price reductions, reduced gross margins, reduced profitability, and loss of market share. There can be no assurance that we will be able to compete successfully against our current or future competitors or that competitive pressures will not have a material adverse effect on our business, results of operations, and financial condition.

We spend significant amounts on advertising and other marketing campaigns to acquire new members, which may not be successful or cost-effective.

We market our aligners and other products through an omni-channel approach supported by media mix modeling and multitouch attribution modeling. Our marketing approach focuses on both offline activities, mainly television, and online digital marketing. We spend significant amounts on advertising and other marketing campaigns to acquire new members, and we expect our marketing expenses to increase in the future as we continue to spend significant amounts to acquire new members and increase awareness of our products. While we seek to structure our marketing campaigns in the manner that we believe is most likely to encourage consumers to use our products, we may fail to identify marketing opportunities that satisfy our anticipated return on marketing spend as we scale our investments in marketing, accurately predict member acquisition, or fully understand or estimate the conditions and behaviors that drive consumer behavior. If, for any reason, any of our marketing campaigns prove less successful than anticipated in attracting new members, we may not be able to recover our marketing spend, and our rate of member acquisition may fail to meet market expectations, either of which could adversely affect our business, results of operations, and financial condition. There can be no assurance that our marketing efforts will result in increased sales of our products.

If our retail partner relationships are not successful, our ability to market and sell our products would be harmed and our financial performance would be adversely affected.

We are developing an oral care product line, which will include non-prescription products to be offered through large, national retail partners. We have limited ability to influence the efforts of our retail partners, and relying on them for a portion of our sales could harm our business for various reasons, including:.

- our retail partners may not devote sufficient resources to the sale of our products or may be unsuccessful in marketing our products;
- our agreements with retail partners may terminate prematurely due to disagreements or may result in litigation;
- we may not be able to renew existing retail partner agreements or negotiate future retail partner agreements on acceptable terms; and
- our agreements with retail partners may preclude us from entering into additional future arrangements.

Sales of a significant portion of our clear aligners may depend on our members' ability to obtain reimbursement from third-party payors, such as insurance carriers.

Sales of our clear aligners may depend on our members' ability to obtain reimbursement from third-party payors, such as insurance carriers. Any reduction in insurance or other third-party payor reimbursement currently available to our members for our clear aligners may cause negative price pressure, which would reduce our revenues. Without a corresponding reduction in the cost to produce such products, the result would be a reduction in our overall gross profit. Similarly, any increase in the cost of such products would reduce our overall gross profit unless there was a corresponding increase in third-party payor reimbursement. In addition, although we have contracts with certain insurance companies and are negotiating with others, healthcare initiatives in the U.S. may lead third-party payors to decline or reduce reimbursement for our clear aligner treatment, and compliance with administrative procedures or requirements of third-party payors may result in delays in processing approvals by those payors for members to obtain coverage for our clear aligners. Finally, as we expand our sales and marketing efforts outside of the U.S., we face additional risks associated with obtaining and maintaining coverage and securing reimbursement from foreign health care payment systems on a timely basis or at all. Failure by our members to obtain or maintain coverage or to secure adequate reimbursement for our clear aligner treatment by third-party payors could have an adverse effect on our business, results of operations, and financial condition.

Our growth and future success may depend on our ability to enhance our existing products and services or to develop, obtain regulatory clearance for, successfully introduce, and achieve market acceptance of new products and services.

We intend to continually improve and enhance our existing products and services and/or develop and introduce new products and services in order to maintain or increase our sales. The success of new or enhanced products and services may depend on a number of factors, including anticipating and effectively addressing consumer preferences and demand, the success of our sales and marketing efforts, innovation and timely and successful research and development, obtaining necessary regulatory clearances, anticipating and responding to competing products and technological innovations, adequately protecting our intellectual property rights, effective forecasting and management of product demand, effective management of manufacturing and supply costs, and the quality of our products. There can be no assurance that we will be able to successfully develop and introduce new or enhanced products and services. Even if new or enhanced products and services are successfully introduced, they may not rapidly gain market share and acceptance.

The development of new products and services in the dental and orthodontic industry can be complex and costly. We could experience delays in the development and introduction of new and enhanced products and services, including delays in obtaining any necessary regulatory clearances. Unanticipated problems in developing products and services could also divert substantial research and development resources, which may impair our ability to develop new products and services and enhancements of existing products and services, and could substantially increase our costs. If new or enhanced product and service introductions are delayed or not successful, we may not be able to achieve an acceptable return, if any, on our research and development efforts, and our business may be adversely affected. Even if we successfully innovate and develop new or enhanced products and services, we may incur substantial costs in doing so and our profitability may suffer.

Any failure in our ability to successfully develop, introduce, or achieve market acceptance of new or enhanced products and services, or any problems in the design or quality of any products or services we develop, could have a material adverse effect on our business, results of operations, and financial condition.

Because our current Chairman and Chief Executive Officer has other business interests, he may not be able or willing to devote a sufficient amount of time to our business operations, which could negatively impact our business, results of operations, and financial condition.

David Katzman, our Chairman and Chief Executive Officer, has other business interests outside of SmileDirectClub. While we believe that Mr. Katzman presently has adequate time to attend to our business, it is possible that the demands on him from other obligations could increase, with the result that he would no longer be able to devote sufficient time to the management of our business, in which case we could need the services of a full-time Chief Executive Officer. Additionally, there is a risk of conflict of interest with other entities for which David Katzman provides services, which are monitored by our Board. In addition, we have a related party transactions policy, which details procedures to address any related party transactions with Mr. Katzman or any of these entities. The loss of Mr. Katzman to us could negatively impact our operations and financial results. See *"—Risks Related to Our Organization and Structure—After the completion of this offering, pursuant to the Voting Agreement, David Katzman, our Chairman and Chief Executive Officer, will control a majority of the voting power of shares of our common stock eligible to vote in the election of our directors and on other matters submitted to a vote of our stockholders, and his interests may conflict with ours or yours in the future*" and *"Certain Relationships and Related Party Transactions—Policies and Procedures for Related Party Transactions*."

A disruption in the operations of our freight carriers or higher shipping costs could cause a decline in our net revenues or a reduction in our earnings.

We are dependent on commercial freight carriers to deliver our products to our members. If the operations of these carriers are disrupted for any reason, we may be unable to deliver our products to our members on a timely basis. If we cannot deliver our products in an efficient and timely manner, our members may cancel their orders from us or seek other compensation for delays, and our net revenues and gross margin could materially decline. In a rising fuel cost environment, our freight costs will increase. If freight costs materially increase and we are unable to pass that increase along to our members for any reason or otherwise offset such increases in our cost of net revenues, our gross margin and financial results could be adversely affected.

We rely on third-party suppliers for some of our manufacturing components and have limited control over our suppliers, which subjects us to significant risks, including the potential inability to obtain or produce quality products on a timely basis or in sufficient quantities.

We rely on third-party suppliers for several components used in the manufacture of our products. We have limited control over our suppliers, including aspects of their specific manufacturing processes and their labor, environmental, or other practices, which subjects us to significant risks, including the following:

- inability of our suppliers to satisfy demand for our manufacturing components and to produce sufficient equipment and materials to support our growth, which could disrupt our ability to deliver our products in a timely manner;
- reduced control over manufacturing standards, controls, procedures, and policies, reduced ability to oversee the manufacturing process, and reduced ability to develop and monitor compliance with our product manufacturing specifications, each of which could negatively impact product quality and reliability;
- price increases, which could result in lower gross margins;
- entry into non-cancelable minimum purchase commitments, which could impact our ability to adjust our capacity and inventory and could lead to excess and obsolete equipment and supplies;

- technology changes by our suppliers, which could disrupt access to required manufacturing capacity or require expensive, time-consuming development efforts to adapt and integrate new equipment or processes;
- the delay or failure of a key supplier to perform its obligations to us due to financial, operating, or other difficulties;
- difficulties in quickly establishing additional supplier relationships on commercially acceptable terms in the event that we experience difficulties with our existing suppliers;
- infringement or misappropriation of our intellectual property;
- exposure to natural catastrophes, political unrest, terrorism, labor disputes, and economic instability resulting in the disruption of trade;
- changes in local economic conditions in areas where our suppliers or logistics providers are located;
- the imposition of new laws and regulations, including those relating to labor conditions, quality and safety standards, imports, duties, taxes, and other charges on imports, as well as trade restrictions and restrictions on currency exchange or the transfer of funds; and
- insufficient warranties and indemnities.

If any of these risks were to materialize, we could face production interruptions, delays, or inefficiencies or could be forced to curtail or cease operations, which could have a material adverse effect on our business, results of operations, and financial condition.

If we encounter manufacturing problems or delays, our ability to generate revenue will be limited.

Historically, we purchased our clear aligners and retainers from third-party manufacturers. In 2016, we opened our first manufacturing facility in Antioch, Tennessee to lower our manufacturing costs, increase supply redundancy, and add capacity to support growth. We also expect to open an additional manufacturing facility near Austin, Texas in late 2019. To date, we have incurred significant capital expenditures related to these facilities, and we expect that capital expenditures will continue to be significant as we further upgrade our Tennessee facilities and open our new Texas facility. These costs could increase significantly, and there is no assurance that the final costs will not be materially higher than anticipated. We are also exploring alternative site manufacturing capabilities both domestically and abroad, which would require additional capital expenditures.

We now manufacture all of our own clear aligners and retainers. While we have rapidly expanded our in-house manufacturing capabilities, there can be no assurance that manufacturing or quality control problems will not arise as we continue to scale-up and automate our production, or that we will be able to do so in a timely manner or at commercially reasonable costs. If we are unable to manufacture a sufficient supply of product, maintain control over expenses, or otherwise adapt to anticipated growth, or if we underestimate growth, we may not have the capability to satisfy market demand, and our business and reputation in the marketplace will suffer. We may also encounter defects in materials and/or workmanship, which could lead to a failure to adhere to regulatory requirements. Any defects could delay operations at our facilities, lead to regulatory fines, or halt or discontinue manufacturing indefinitely.

Our manufacturing processes rely on complex three-dimensional scanning, geometrical manipulation and modeling technologies, and sophisticated 3D printing. Since our clear aligners and retainers are designed for individual members, we manufacture them to fill prescriptions rather than maintaining inventories. If demand for our clear aligners and retainers exceeds our manufacturing capacity, we could develop a substantial backlog of member orders, or would otherwise need to outsource to other manufacturers, which would affect our profitability.

Our manufacturing facilities are subject to periodic regulatory inspections by FDA and other regulatory agencies. If we fail in the future to maintain facilities in accordance with applicable Quality System Regulations enforced by FDA or other regulatory requirements, our manufacturing process could be suspended or terminated, which would have a material adverse effect on our business, results of operations, and financial condition.

We are dependent on some international suppliers, which exposes us to foreign operational and political risks that may harm our business.

We rely on some third party suppliers in Europe and Asia who supply, among other things, certain of the technology and raw materials used in our manufacturing processes. Our reliance on international operations exposes us to risks and uncertainties, including: controlling quality of supplies; political, social, and economic instability; interruptions and limitations in telecommunication services; product or material delays or disruption; trade restrictions and changes in tariffs; import and export license requirements and restrictions; fluctuations in currency exchange rates; and potential adverse tax consequences. If any of these risks were to materialize, our results of operations may be harmed.

The majority of our operations are conducted in three geographic locations. Any disruption at our facilities could increase our expenses.

Aside from our SmileShops, all of our business and manufacturing operations, in addition to some of our customer service operations, are conducted in and around Nashville, Tennessee, with one manufacturing location expected to open near Austin, Texas in late 2019. All of our treatment planning operations, as well the remainder of our customer service operations, are conducted in Costa Rica. We take precautions to safeguard our facilities, including insurance, health and safety protocols, and off-site storage of computer data. However, a natural disaster, such as a fire, flood, or earthquake, could cause substantial delays in our operations, damage or destroy our manufacturing equipment or inventory, and cause us to incur additional expenses. The insurance we maintain against fires, floods, earthquakes, and other natural disasters may not be adequate to cover our losses in any particular case. Any material disruption could materially damage member and business partner relationships and subject us to significant reputational, financial, legal, and operational consequences.

We will operate many of our SmileShops under master license agreements with CVS and Walgreens, each of which, if not renewed after its initial term of five years, will require us to close or relocate a substantial number of our SmileShops.

We have entered into a five-year non-exclusive agreement with CVS Pharmacy, Inc., pursuant to which we have the ability to open up to 1,500 SmileShops within CVS stores across the country, and a five-year non-exclusive agreement with Walgreens, Inc., pursuant to which we have the ability to open any number of SmileShops within Walgreens stores across the country. Each agreement has an initial term of five years. If we are unable to renew either agreement at the end of its term, or if either is otherwise terminated for any reason, we will be required to close or relocate a substantial number of our SmileShops, which could subject us to construction, relocation, and other costs, disruption of our operations, and other risks. In addition, if we terminate either agreement with respect to any particular SmileShop for convenience, for a certain period of time we will be prohibited from opening SmileShops within CVS or Walgreens competitors, as the case may be, in proximity to the terminated SmileShop, which could interfere with our ability to open alternative SmileShops in certain geographic areas. If any of these risks were to materialize, our business, results of operations, and financial condition could be materially harmed.

Our information technology systems are critical to our business. System integration and implementation issues and system security risks could disrupt our operations, which could have a material adverse impact on our business, results of operations, and financial condition.

We depend on our information technology systems, as well as those of third parties, to develop products and services, operate our website, host and manage our services, store data, process transactions, respond to user inquiries, and manage our operations. Any material disruption or slowdown of our systems or those of third parties upon whom we depend, including a disruption or slowdown caused by our failure to successfully manage significant increases in user volume or successfully upgrade our or their systems,

system failures, viruses, security breaches, or other causes, could cause information, including data related to orders, to be lost or delayed, which could result in delays in the delivery of products to members or lost sales, which could reduce demand for our products, harm our brand and reputation, and cause our revenue to decline. If changes in technology cause our information systems, or those of third parties upon whom we depend, to become obsolete, or if our or their information systems are inadequate to handle our growth, we could lose members, and our business, financial condition, and results of operations could be adversely affected.

There can be no assurance that our process of improving existing systems, developing new systems to support our expanding operations, integrating new systems, protecting confidential member information, and improving service levels will not be delayed or that additional systems issues will not arise in the future. Failure to adequately protect and maintain the integrity of our information systems and data may result in a material adverse effect on our business.

Our international operations subject us to additional costs and risks, and our continued international expansion will subject us to additional costs and risks that may adversely impact our business, results of operations, and financial condition.

We recently entered the markets in Canada, Australia, and the U.K., and plan to enter into additional international markets in the future. There are significant costs and risks inherent in conducting business in international markets. If we expand, or attempt to expand, into additional foreign markets, we will be subject to new business risks, in addition to regulatory risks. In addition, expansion into foreign markets imposes additional burdens on our executive and administrative personnel, finance and legal teams, research and marketing teams, and general managerial resources.

We have limited experience with regulatory environments and market practices internationally, and we may not be able to penetrate or successfully operate in new markets. We may also encounter difficulty expanding into new international markets because of limited brand recognition in certain parts of the world, leading to delayed acceptance of our products and services by consumers in these new international markets. If we are unable to continue to expand internationally and manage the complexity of international operations successfully, our business, results of operations, and financial condition could be adversely affected. If our efforts to introduce our products and services into foreign markets are not successful, we may have expended significant resources without realizing the expected benefit. Ultimately, the investment required for expansion into foreign markets could exceed the results of operations generated from this expansion.

We face risks related to our international sales, including the need to obtain necessary foreign regulatory clearance or approvals.

Sales of our products outside the U.S. will subject us to foreign regulatory requirements that vary widely from country to country. The time required to obtain clearances or approvals required by other countries may be longer than that required for FDA clearance or approval, and requirements for such approvals may differ from FDA requirements. We may be unable to obtain regulatory approvals and may also incur significant costs in attempting to obtain foreign regulatory approvals or maintain those we already have, including in Canada, Australia, the U.K., and the European Union (the "E.U."). If we experience delays in receipt of approvals to market our products in new jurisdictions, or if we fail to receive these approvals, we may be unable to market our products in international markets in a timely manner, if at all, which could materially impact our international expansion and adversely affect our business as a whole. In addition, we anticipate that regulations in certain foreign countries may challenge our teledentistry model. Some international regulations may also limit the availability of SmilePay to members in certain jurisdictions without our first obtaining a license or engaging a third party to provide such financing, or limit the financing options we can offer our members. If any of these risks were to materialize, they could limit our expected international growth and profitability.

As we expand internationally, we will be exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations.

Although the U.S. dollar is our reporting currency, as we expand internationally, a portion of our net revenues and net income will be generated in foreign currencies. Net revenues and net income generated outside of the U.S. are translated into U.S. dollars using exchange rates effective during the respective period and are affected by changes in exchange rates. As a result, negative movements in currency exchange rates against the U.S. dollar will adversely affect our net revenues and net income in our consolidated financial statements. The exchange rates between the U.S. dollar and foreign currencies have fluctuated substantially in recent years and may continue to fluctuate substantially in the future. We may in the future enter into currency hedging transactions in an effort to cover some of our exposure to foreign currency exchange fluctuations. These transactions may not operate to fully or effectively hedge our exposure to currency fluctuations, and, under certain circumstances, these transactions could have an adverse effect on our business and financial condition.

The results of the U.K.'s referendum on withdrawal from the E.U. may have a negative effect on global economic conditions, financial markets, and our business.

On June 23, 2016, the U.K. held a referendum in which a majority of voters approved an exit from the E.U., commonly referred to as Brexit. The referendum and ongoing negotiations have created significant uncertainty about the future relationship between the U.K. and the E.U. The uncertainty surrounding the terms of Brexit could negatively impact markets and cause weaker macroeconomic conditions that could continue for the foreseeable future. Adverse macroeconomic consequences, such as deterioration in economic conditions, may negatively impact future sales of our products and, particularly in European countries, may negatively impact our international expansion, either of which could have an adverse effect on our business, financial condition, and results of operations.

We depend on key personnel to operate our business, and if we are unable to retain and attract key personnel, we may be unable to pursue business opportunities or develop our products.

We are dependent on the key employees in our clinical engineering, technology development, sales, training, marketing, and management teams. The loss of the services provided by certain of these individuals may significantly delay or prevent the achievement of our business objectives and could harm our business. Our future success will also depend on our ability to identify, recruit, train, and retain additional qualified personnel. We may not be successful in retaining our key personnel or their services, or in attracting and retaining personnel with the advanced qualifications necessary for the further development of our business. If we are unable to retain and attract key personnel, our business could be materially harmed.

If we are unable to accurately predict our volume growth, and fail to hire a sufficient number of technicians in advance of such demand, the delivery time of our products could be delayed, which could adversely affect our results of operations.

Treatment planning, a key step leading to our manufacturing process, relies on sophisticated computer technology requiring new technicians to undergo an extensive training process. Training setup technicians takes several weeks, and it takes several months for a new technician to achieve his or her full capacity. The non-solicitation provisions of our supply agreement with Align prohibit us from soliciting Align's current employees in Costa Rica through the end of 2019, and we have also agreed that we will not solicit or hire any employee working at Align, which may restrict our ability to hire experienced team members through 2019. As a result, if we are unable to accurately predict our volume growth, we may not have a sufficient number of trained technicians to deliver our products within the time frame our members expect. Such a delay could cause us to lose existing members or fail to attract new members. This could cause a decline in our net revenues and net income and could adversely affect our results of operations for 2019.

If we choose to acquire or invest in new businesses, products, or technologies, instead of developing them ourselves, these acquisitions or investments could disrupt our business and could result in the use of significant amounts of equity, cash, or a combination of both.

From time to time we may seek to acquire or invest in new businesses, products, or technologies, instead of developing them ourselves. Acquisitions and investments involve numerous risks, including:

- timing of regulatory approvals and clearances;
- the inability to complete the acquisition or investment;
- disruption of our ongoing businesses and diversion of management attention;
- difficulties in integrating the acquired entities, products, or technologies;
- risks associated with acquiring intellectual property;
- difficulties in operating the acquired business profitably;
- the inability to achieve anticipated synergies, cost savings, or growth;
- potential loss of key employees, particularly those of the acquired business;
- difficulties in transitioning and maintaining key partner, distributor, and supplier relationships;
- risks associated with entering markets in which we have no or limited prior experience;
- increased operating costs or reduced earnings;
- the use of significant amounts of cash, the incurrence of debt, and/or the assumption of significant liabilities; and
- dilutive issuances of equity securities, which may be sold at a discount to market price.

Any of these factors could materially harm our stock price, business, financial condition, and results of operations.

We offer a financing option to our members, which could adversely affect our financial results.

We offer all of our members our SmilePay option, a financing plan that does not require a credit check. Approximately 65% of our members choose to finance their treatment through SmilePay. For the year ended December 31, 2018, SmilePay amounted to approximately $174.2 million in net receivables and an associated delinquency rate of approximately 10% of revenue (also 10% for 2017). For the six months ended June 30, 2019, SmilePay amounted to approximately $275.1 million in net receivables and an associated delinquency rate of approximately 9% of revenue. Although our delinquency rate improved from 2017 to 2018, primarily due to improved internal collection processes, the corresponding revenue reduction increased, primarily due to an increase in the number of members using SmilePay. We may experience an increase in payment defaults and uncollectible accounts, and may be required to increase our reduction in revenue, which would adversely affect our net income. In addition, extended payment terms decrease our cash flow from operations.

Our SmilePay financing option subjects us to additional regulations and compliance and other costs.

Our SmilePay program subjects us to complex consumer financial protection laws and regulations, among others. We must comply with all applicable U.S. federal and state legal and regulatory regimes, including but not limited to those governing consumer retail installment credit transactions. Certain U.S. federal and state laws generally regulate the rate or amount of finance charges and fees and require certain disclosures for consumer finance transactions. If we fail to comply with applicable laws, regulations, rules, and guidance, our business could be adversely affected.

Compliance with these laws and regulatory requirements is costly and time-consuming and limits our operational flexibility. Further, failure to comply with these laws and regulatory requirements may, among other things, limit our ability to collect all or part of the balance owing on a member's SmilePay account. As a result, we may not be able to collect on unpaid principal or finance charges. In addition, non-compliance could subject us to damages, revocation of required licenses or registrations, class action lawsuits, administrative enforcement actions, rescission rights held by investors in securities offerings, and civil and criminal liability, which may harm our business and may result in members rescinding their SmilePay account agreements.

We currently contract with a third-party provider to manage the administrative services and maintain regulatory compliance for SmilePay in the U.S. and Canada, as well as to provide the enabling software. Some international regulations may limit the availability of SmilePay to members in certain jurisdictions without our first obtaining a license or engaging a third party to provide such financing, thereby limiting our profitability on sales to members in those locations. While both we and our provider are in the process of obtaining licenses in these jurisdictions, we cannot guarantee that the necessary licenses will be obtained by us or our provider on a timely basis or at all.

Refunds and cancellations could harm our business.

We allow our customers to return aligners, subject to our Smile Guarantee refund policy, which allows any member to return their aligners for any reason within the first 30 days of their treatment and receive a full refund. Additionally, members who follow their treatment plan and do not love their smile may return the remainder of their aligners for a pro-rated refund based on the number of aligners used or get additional aligners, at no additional cost, to address their treatment concerns. At the time of sale, we establish a reserve for aligner returns, based on historical experience and expected future returns, which is recorded as a reduction of sales. If we experience a substantial increase in refunds, our cancellation reserve levels might not be sufficient and our business, operating results, and financial condition could be harmed.

We may be unable to raise additional capital, which could harm our ability to compete.

We expect to expend significant capital to establish an international brand, build manufacturing infrastructure, and develop both product and process technology. These initiatives may require us to raise additional capital over the next few years. We may consume available resources more rapidly than anticipated and we may not be able to raise additional funds when needed or on acceptable terms.

If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our Class A common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges, or unforeseen circumstances could be significantly limited, and our business, operating results, financial condition, and prospects could be materially adversely affected.

An increase in interest rates on our borrowings would increase the cost of servicing our debt and reduce our profitability.

A portion of our outstanding debt bears interest at floating rates. As a result, to the extent we have not hedged against rising interest rates, an increase in the applicable benchmark interest rates would increase our cost of servicing our debt and could materially and adversely affect our results of operations, financial condition, liquidity, and cash flows. Such rates tend to fluctuate based on general economic conditions, general interest rates, Federal Reserve rates, and the supply of and demand for credit in the relevant interbanking market. In recent years, the Fed has incrementally raised the target range for the federal funds rate. Increases in the interest rate generally, and particularly when coupled with any

significant variable rate indebtedness, could materially adversely impact our interest expenses. If interest rates increase, our debt service obligations on variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease. In addition, we may refinance our indebtedness. If interest rates or our borrowing margins increase between the time an existing financing arrangement was consummated and the time such financing arrangement is refinanced, the cost of servicing our debt would increase and our financial condition, liquidity, and cash flows could be materially and adversely affected.

Our outstanding debt instruments contain restrictions and covenants that may limit our operating flexibility and which, if violated, could result in the acceleration of the amounts due.

Our outstanding debt instruments contain financial ratios and certain other covenants, which we are required to satisfy. Complying with these restrictions and covenants may make it more difficult for us to successfully execute our business strategy. We may need to reduce the amount of our indebtedness outstanding from time to time in order to comply with such financial ratios, though no assurance can be given that we will be able to do so.

Our failure to maintain required financial ratios or our breach of the other restrictions or covenants under our debt instruments could result in an event of default under the applicable agreement. Such a default may allow our lenders under the applicable agreement to accelerate all of our outstanding indebtedness and other amounts due and, if we do not pay these amounts, proceed against the collateral securing these obligations. In the future, such a default may also result in the acceleration of other indebtedness.

We may not generate sufficient cash flow to service our debt, pay our contractual obligations, and operate our business.

Our ability to make payments on our indebtedness and contractual obligations, and to fund our operations, depends on our future performance and financial results, which, to a certain extent, are subject to general economic, financial, competitive, regulatory, interest rate, and other factors that are beyond our control. Although senior management believes that we have and will continue to have sufficient liquidity, there can be no assurance that our business will generate sufficient cash flow from operations in the future to service our debt, pay our contractual obligations, and operate our business. In addition, the breach of certain covenants or restrictions in certain of our debt instruments would permit the lenders to declare all borrowings thereunder to be immediately due and payable and, if provided for in the future, cross default provisions may entitle our other lenders to accelerate their loans.

Changes in, or interpretations of, accounting rules and regulations could result in unfavorable accounting charges.

Accounting principles and related pronouncements, implementation guidelines, and interpretations that we apply to a wide range of matters that are relevant to our business, including, but not limited to, revenue recognition, equity-based compensation, and other matters, are complex and involve subjective assumptions, estimates, and judgments by our management. Changes in these accounting pronouncements or their interpretations, or changes in underlying assumptions, estimates, or judgments by our management, could significantly change our reported or expected financial performance.

We prepare our consolidated financial statements in conformity with GAAP. These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting policies. Market conditions have prompted accounting standard setters to issue new guidance that further interprets or seeks to revise accounting pronouncements related to financial instruments, structures, or transactions, as well as to issue new standards expanding disclosures. A change in these policies can have a significant effect on our reported results and may even retroactively affect previously

reported transactions. It is possible that future accounting standards we would be required to adopt could change the current accounting treatment applied to our consolidated financial statements and such changes could have a material adverse effect on our business, results of operations, financial condition, and liquidity.

Changes in lease accounting standards may materially and adversely affect us.

The Financial Accounting Standards Board, or FASB, recently adopted new accounting rules, to be effective for our fiscal year beginning after December 2019, that will require companies to capitalize most leases on their balance sheets by recognizing a lessee's rights and obligations. When the rules are effective, we may be required to account for certain leases as assets and liabilities on our balance sheet. As a result, lease-related assets and liabilities may be recorded on our balance sheet, and we may be required to make other changes to the recording and classification of our lease-related expenses. Though these changes will not have any direct effect on our overall financial condition, these changes will cause the total amount of assets and liabilities we report to increase.

Our effective tax rate may vary significantly from period to period.

Various internal and external factors may have favorable or unfavorable effects on our future effective tax rate. These factors include, but are not limited to, changes in tax laws both within and outside the U.S., regulations and/or rates, structural changes in our business, new or changes to accounting pronouncements, non-deductible goodwill impairments, changing interpretations of existing tax laws or regulations, changes in the relative proportions of revenues and income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates, the future levels of tax benefits of equity-based compensation, changes in overall levels of pretax earnings, or changes in the valuation of our deferred tax assets and liabilities. Additionally, we could be challenged by state and local tax authorities as to the propriety of our sales tax compliance, and our results could be materially impacted by these compliance determinations.

In addition, our effective tax rate may vary significantly depending on our stock price. The tax effects of the accounting for share-based compensation may significantly impact our effective tax rate from period to period. In periods in which our stock price is higher than the grant price of the share-based compensation vesting in that period, we will recognize excess tax benefits that will decrease our effective tax rate. In future periods in which our stock price is lower than the grant price of the share-based compensation vesting in that period, our effective tax rate may increase. The amount and value of share-based compensation issued relative to our earnings in a particular period will also affect the magnitude of the impact of share-based compensation on our effective tax rate. These tax effects are dependent on our stock price, which we do not control, and a decline in our stock price could significantly increase our effective tax rate and adversely affect our financial results.

Risks Related to Legal and Regulatory Matters

Our business could be adversely affected by ongoing professional and legal challenges to our business model or by new state actions restricting our ability to provide our products and services in certain states.

A number of dental and orthodontic professionals believe that clear aligners are appropriate for only a limited percentage of their patients. National and state dental associations have issued statements discouraging use of orthodontics using a teledentistry platform. Increased market acceptance of our remote clear aligner treatment may depend, in part, upon the recommendations of dental and orthodontic professionals and associations, as well as other factors including effectiveness, safety, ease of use, reliability, aesthetics, and price compared to competing products.

Furthermore, our ability to conduct business in each state is dependent, in part, upon that particular state's treatment of remote healthcare and that state dental board's regulation of the practice of dentistry,

each of which is subject to changing political, regulatory, and other influences. There is a risk that state authorities may find that our contractual relationships with our doctors violate laws and regulations prohibiting the corporate practice of dentistry, which generally bar the practice of dentistry by entities. Two state dental boards have established new rules or interpreted existing rules in a manner that purports to limit or restrict our ability to conduct our business as currently conducted. The Georgia Board of Dentistry passed a new rule that requires a licensed dentist to be present when 3D oral images are taken by a dental assistant, and the Board of Dental Examiners of Alabama has interpreted existing rules to require "direct supervision" (meaning the dentist must be physically present somewhere in the building) for the taking of digital oral images. In both Georgia and Alabama, we have filed lawsuits in Federal court against the dental boards and their individual members alleging, among other things, violations of the Sherman Act, and we will continue to pursue litigation where appropriate to combat anticompetitive or otherwise illegal behavior targeting our business model. In addition, a national orthodontic association has met with various dental boards across the country in an effort to advocate for new rules and regulations that could have the effect of interfering with our business model. Although, none of these efforts have resulted in rules and regulations being passed to date, it is possible that the rules and regulations governing the practice of dentistry and orthodontics in one or more states may change or be interpreted in a manner unfavorable to our business. If adverse regulations are adopted or any such claims are successful, and we were unable to adapt our business model accordingly, our operations in such states would be disrupted, which could have a material adverse effect on our business, financial condition, and results of operations. In addition, a national dental association recently filed a citizen petition with FDA alleging that our manufacturing is in violation of "prescription only" requirements. Although FDA denied the petitioners' request to initiate enforcement action, the petition continues to be circulated by that national dental association and other third parties. See "*Our Business—Regulatory Matters—State professional regulation*" and "*Our Business—Legal Proceedings*."

Our success depends in part on our proprietary technology, and if we are unable to successfully enforce our intellectual property rights, our competitive position may be harmed.

Our success will depend in part on our ability to maintain existing intellectual property and to obtain and maintain further intellectual property protection for our products and services, both in the U.S. and in other countries. We attempt to protect our intellectual property rights through a combination of patent, trademark, copyright, and trade secret laws, as well as licensing agreements and third-party confidentiality and assignment agreements. Our inability to do so could harm our competitive position. We have two issued U.S. patents, one allowed U.S. patent, and numerous pending U.S. and global patent applications.

We rely on our portfolio of issued and pending patent applications in the U.S. and other countries to protect a large part of our intellectual property and our competitive position; however, our currently pending or future patent filings may not result in the issuance of patents. While we generally apply for patents in those countries where we intend to make, have made, use, or sell patented products, we may not accurately predict all of the countries where patent protection will ultimately be desirable. If we fail to timely file for a patent, we may be precluded from doing so at a later date. Additionally, any patents issued to us may be challenged, invalidated, held unenforceable, circumvented, or may not be sufficiently broad to prevent third parties from producing competing products similar in design to our products. In addition, any protection afforded by foreign patents may be more limited than that provided under U.S. patent and intellectual property laws. There can be no assurance that any of our patents, any patents licensed to us, or any patents which we may be issued in the future, will provide us with a competitive advantage or afford us protection against infringement by others, or that the patents will not be successfully challenged or circumvented by third parties, including our competitors. Further, there can be no assurance that we will have adequate resources to enforce our patents.

We also rely on protection of copyright, trade secrets, know-how, and confidential and proprietary information. We generally enter into confidentiality and non-compete agreements with our employees, consultants, and collaborative partners upon their commencement of a relationship with us. However, these agreements may not provide meaningful protection against the unauthorized use or disclosure of our trade secrets or other confidential information, and adequate remedies may not exist if unauthorized use or disclosure were to occur. The exposure of our trade secrets and other proprietary information would impair our competitive advantages and could have a material adverse effect on our operating results, financial condition, and future growth prospects. In particular, a failure to protect our proprietary rights might allow competitors to copy our technology, which could adversely affect our pricing and market share. Further, other parties may independently develop substantially equivalent know-how and technology.

We rely on our trademarks, trade names, and brand names to distinguish our products and services from the products and services of our competitors, and have registered or applied to register many of these trademarks. There can be no assurance that our trademark applications will be approved. Third parties may also oppose our trademark applications, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products and services, which could result in loss of brand recognition, and could require us to devote resources advertising and marketing new brands. Further, there can be no assurance that competitors will not infringe our trademarks, or that we will have adequate resources to enforce our trademarks. We also license third parties to use our trademarks. In an effort to preserve our trademark rights, we enter into license agreements with these third parties, which govern the use of our trademarks and require our licensees to abide by quality control standards with respect to the goods and services that they provide under our trademarks. Although we make efforts to police the use of our trademarks by our licensees, there can be no assurance that these efforts will be sufficient to ensure that our licensees abide by the terms of their licenses. In the event that our licensees fail to do so, our trademark rights could be diluted.

Litigation, interferences, oppositions, re-exams, inter partes reviews, post grant reviews, or other proceedings are, have been, and may in the future be necessary in some instances to determine the validity and scope of certain of our proprietary rights, and in other instances to determine the validity, scope, or non-infringement of certain proprietary rights claimed by third parties to be pertinent to the manufacture, use, or sale of our products or provision of our services. These types of proceedings are unpredictable and may be protracted, expensive, and distracting to management. The outcome of such proceedings could adversely affect the validity and scope of our patent or other proprietary rights, hinder our ability to manufacture and market our products and provide our services, require us to seek a license for the infringed product or technology, or result in the assessment of significant monetary damages. An unfavorable ruling could include monetary damages or, in cases where injunctive relief is sought, an injunction prohibiting us from selling our products or providing our services. Any of these results from litigation could adversely affect our business, financial condition, and results of operations.

We also currently license our treatment setup software under a license from CA Digital gmbH, which provides us exclusive third-party use of the licensed software on a global basis. We do not control the protection of the intellectual property subject to this license and, as a result, although we could seek an alternate source, we are largely dependent upon our licensor to determine the appropriate strategy for protecting such intellectual property.

If we infringe the patents or proprietary rights of other parties or are subject to an intellectual property infringement or misappropriation claim, our ability to grow our business may be severely limited.

Extensive litigation over patents and other intellectual property rights is common in the dental and orthodontic industry. We have in the past and may in the future be the subject of patent or other litigation. From time to time, we have received and may in the future receive letters from third parties drawing our attention to their patent rights. While we do not believe that we infringe upon any valid and enforceable rights that have been brought to our attention, and we take necessary steps to ensure that we do not

infringe on the rights of others, there may be other more pertinent rights of which we are presently unaware. The defense and prosecution of intellectual property suits, interference proceedings, and related legal and administrative proceedings could result in substantial expense to us and significant diversion of effort by our technical and management personnel. An adverse determination of any litigation or interference proceeding to which we may become a party could subject us to significant liabilities. An adverse determination of this nature could also put our patents at risk of being invalidated or interpreted narrowly, or require us to seek licenses from third parties. Licenses may not be available on commercially reasonable terms or at all, in which event, our business would be materially adversely affected.

Complying with regulations enforced by FDA and other regulatory authorities is expensive and time-consuming, and failure to comply could result in substantial penalties.

Some of our products are considered medical devices, which are subject to extensive regulation in the U.S. and internationally. FDA regulations are wide ranging and govern, among other things:

- product design, development, manufacturing, and testing;
- product labeling;
- product storage;
- product safety;
- pre-market clearance or approval;
- complaint handling and corrective actions;
- recordkeeping procedures and postmarket surveillance;
- advertising and promotion; and
- product sales and distribution.

The regulations to which we are subject are complex. Regulatory changes could result in restrictions on our ability to carry on or expand our operations, higher than anticipated costs, or lower than anticipated sales. Our failure to comply with applicable regulatory requirements could result in enforcement action by FDA or state agencies, which may include any of the following sanctions:

- warning letters, fines, injunctions, consent decrees, and civil penalties;
- repair, replacement, refunds, recall, or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing our requests for 510(k) clearance or pre-market approval of new products, new intended uses, or modifications to existing products;
- withdrawing clearance or pre-market approvals that have already been granted; and
- criminal prosecution.

If any of these events were to occur, they could harm our business. See "*Our Business—Regulatory Matters*."

We may not receive the necessary authorizations to market our new products, and any failure to timely do so may adversely affect our ability to grow our business.

Our future success will also depend on our ability to obtain regulatory approval or clearance of certain new products. Before we can sell a new medical device in the U.S., or market a new use of, new claim for, or significant modification to a legally marketed device, we must first obtain either clearance under

Section 510(k) of the Federal Food, Drug, and Cosmetic Act ("FD&C Act") or other FDA authorizations, if applicable, unless an exemption applies.

In the 510(k) clearance process, before a device may be marketed, FDA must determine that a proposed device is "substantially equivalent" to a legally-marketed "predicate" device. To be "substantially equivalent," the proposed device must have the same intended use as the predicate device, and either have the same technological characteristics as the predicate device or have different technological characteristics, not raise different questions of safety or effectiveness than the predicate device, and be as safe and as effective as the predicate device. The 510(k) clearance process can be expensive and uncertain and can take from three to 12 months, but may last significantly longer. Clinical data may be required in connection with an application for 510(k) clearance. Furthermore, even if we are granted regulatory clearances or approvals, they may include limitations on the indications for use or intended uses of the device, which may limit the market for the device.

We market our clear aligners in the U.S. pursuant to 510(k) clearance.

FDA can delay, limit, or deny 510(k) clearance, or other approval or reclassification, of a device for many reasons, including:

- we may be unable to demonstrate to FDA's satisfaction that the products or modifications are substantially equivalent to a proposed predicate device or safe and effective for their intended uses;
- we may be unable to demonstrate that the clinical and other benefits of the device outweigh the risks; and
- the applicable regulatory authority may identify deficiencies in our submissions or in the facilities or processes of our third party contract manufacturers.

Any delay or failure to obtain necessary regulatory clearances or approvals could harm our business.

In addition, FDA may change its policies, adopt additional regulations, revise existing regulations, or take other actions, or Congress may enact different or additional statutory requirements, which may prevent or delay clearance of our future products under development or impact our ability to modify our currently marketed products on a timely basis. Such policy, statutory, or regulatory changes could impose additional requirements upon us that could delay our ability to obtain new 510(k) clearances, increase the costs of compliance, or restrict our ability to maintain our current marketing authorizations.

We will also need to obtain regulatory approval in other foreign jurisdictions in which we plan to market and sell our products, although we already have regulatory approval in Canada, Australia, the U.K., and the E.U. The time required to obtain registrations or approvals, if required by other countries, may be longer than that required for FDA clearance, and requirements for such registrations, clearances, or approvals may significantly differ from FDA requirements. If we modify our products, we may need to apply for additional regulatory approvals before we are permitted to sell the modified product. In addition, we may not continue to meet the quality and safety standards required to maintain the authorizations that we have received. If we are unable to maintain our authorizations in a particular country, we will no longer be able to sell the applicable product in that country.

Failure to comply with these rules, regulations, self-regulatory codes, circulars, and orders could result in significant civil and criminal penalties and costs and could have a material adverse impact on our business. Also, these regulations may be interpreted or applied by a prosecutorial, regulatory, or judicial authority in a manner that could require us to make changes in our operations or incur substantial defense and settlement expenses. Even unsuccessful challenges by regulatory authorities or private relators could result in reputational harm and the incurring of substantial costs. In addition, many of these laws are vague or indefinite and have not been interpreted by the courts, and have been subject to frequent modification and varied interpretation by prosecutorial and regulatory authorities, increasing compliance risks. See "*Our Business—Regulatory Matters.*"

Certain modifications to our products may require new 510(k) clearance or other marketing authorizations and may require us to recall or cease marketing our products.

Once a medical device is permitted to be legally marketed in the U.S. pursuant to a 510(k) clearance, a manufacturer may be required to notify FDA of certain modifications to the device. Manufacturers determine in the first instance whether a change to a product requires a new premarket submission, but FDA may review any manufacturer's decision. FDA may not agree with our decisions regarding whether new clearances or approvals are necessary. We have made modifications to our products in the past and have determined, based on our review of the applicable FDA regulations and guidance, that in certain instances new 510(k) clearances or other premarket submissions were not required. We may make similar modifications or add additional features in the future that we believe do not require a new 510(k) clearance. If FDA disagrees with our determinations and requires us to submit new 510(k) notifications, we may be required to cease marketing or to recall the modified product until we obtain clearance or approval, and we may be subject to significant regulatory fines or penalties.

Our products must be manufactured in accordance with federal, state, and international regulations, and we could be forced to recall our products or terminate production if we fail to comply with these regulations.

The methods used in, and the facilities used for, the manufacture of our products must comply with FDA's Quality System Regulation ("QSR") which is a complex regulatory scheme that covers the procedures and documentation of, among other requirements, the design, testing, validation, verification, complaint handling, production, process controls, quality assurance, labeling, supplier evaluation, packaging, handling, storage, distribution, installation, servicing, and shipping of medical devices. Furthermore, we are required to verify that our suppliers maintain facilities, procedures, and operations that comply with our quality standards and applicable regulatory requirements. FDA enforces the QSR through, among other oversight methods, periodic announced or unannounced inspections of medical device manufacturing facilities, which may include the facilities of contractors, suppliers, or contract manufacturing organizations. Our products are also subject to similar state regulations as well as similar laws and regulations of foreign countries. Our failure to comply with the QSR or similar requirements could result in enforcement actions, sanctions, recalls, detentions, seizures, or similar market actions with respect to our products, among other potential consequences. If any of these or other events occur, there could be a negative impact on the supply of our products, our reputation could be harmed, we could be exposed to product liability claims, and we could lose customers and suffer reduced revenue and increased costs. See "*Our Business—Regulatory Matters.*"

Our products may cause or contribute to adverse medical events that we are required to report to FDA and other governmental authorities, and if we fail to do so, we would be subject to sanctions that could harm our reputation, business, results of operations, and financial condition. The discovery of serious safety issues with our products, or a recall of our products either voluntarily or at the direction of FDA or another governmental authority, could have a negative impact on us.

We are required to timely file various reports with FDA, including reports required by the medical device reporting regulations ("MDRs") which require us to report to FDA when we receive or become aware of information that reasonably suggests that one of our products may have caused or contributed to a death or serious injury or malfunctioned in a way that, if the malfunction were to recur to the device or a similar device that we market, could cause or contribute to a death or serious injury. If we fail to comply with our reporting obligations, FDA or other governmental authorities could take action, including warning letters, untitled letters, administrative actions, criminal prosecution, imposition of civil monetary penalties, revocation of our device clearance, seizure of our products, or delay in clearance of future products. FDA and certain foreign regulatory bodies have the authority to require the recall of commercialized products under certain circumstances.

A government-mandated or voluntary recall by us could occur as a result of an unacceptable risk to health, component failures, malfunctions, manufacturing defects, labeling or design deficiencies, packaging defects, or other deficiencies, or failures to comply with applicable regulations. If we do not adequately address problems associated with our devices, we may face additional regulatory requirements or enforcement action, including required new marketing authorizations, FDA warning letters, product seizure, injunctions, administrative penalties, or civil or criminal proceedings.

We may initiate voluntary withdrawals, removals, or corrections for our products in the future that we determine do not require notification of FDA. If FDA disagrees with our determinations, it could require us to report those actions and we may be subject to enforcement action. A future recall announcement or other corrective action could harm our financial results and reputation, potentially lead to product liability claims against us, require the dedication of our time and capital, and negatively affect our sales.

In addition, FDA's and other regulatory authorities' policies may change, and additional government regulations may be enacted that could prevent, limit, or delay regulatory approval of our product candidates. For example, in November 2018, FDA announced that it plans to develop proposals to drive manufacturers utilizing the 510(k) pathway toward the use of newer predicates. It is unclear the extent to which any proposals, if adopted, could impose additional regulatory requirements on us that could delay our ability to obtain new 510(k) clearances, increase the costs of compliance, or restrict our ability to maintain our current clearances.

We also cannot predict the likelihood, nature, or extent of government regulation that may arise from future legislation or administrative or executive action, either in the U.S. or abroad. For example, the Trump Administration has taken several executive action that could impose significant burdens on, or otherwise materially delay, FDA's ability to engage in routine regulatory and oversight activities. It is difficult to predict how these executive actions may affect FDA's ability to exercise its regulatory authority. If these executive actions impose constraints on FDA's ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted.

Extensive and changing government regulation of the healthcare industry may be expensive to comply with and exposes us to the risk of substantial government penalties.

Participants in the healthcare industry are subject to extensive and frequently changing regulations under numerous laws administered by governmental entities at the federal, state, and local levels, some of which are, and others of which may be, applicable to our business, including certain federal and state healthcare laws and regulations pertaining to fraud and abuse, such as anti-kickback, self-referral, false claims, and consumer protection laws.

Further, the healthcare industry has changed significantly over time, and we expect the industry to continue to evolve. By way of example, in response to perceived increases in health care costs, Congress passed health care reform legislation that was signed into law in March 2010. This legislation contains many provisions designed to generate the revenues necessary to fund the healthcare coverage expansions provided for therein. The most relevant of these provisions to our business are those that impose fees or taxes on certain health-related industries, including medical device manufacturers. The healthcare market itself is highly regulated and subject to changing political, economic, and regulatory influences. Complying with these laws and regulations could be expensive and time-consuming, and could increase our operating costs or reduce or eliminate certain of our sales and marketing activities or our revenues. If we or our operations are found to be in violation of any of these laws and regulations, we may be subject to penalties that could materially adversely affect our business, results of operations, and financial condition. See "*Our Business—Regulatory Matters—State professional regulation*" and "*Our Business—Regulatory Matters—Other U.S. federal and state laws.*"

Changes in the regulation of the internet could adversely affect our business.

Laws, rules, and regulations governing internet communications, advertising, and e-commerce are dynamic, and the extent of future government regulation is uncertain. Federal and state regulations govern various aspects of our online business, including intellectual property ownership and infringement, trade secrets, the distribution of electronic communications, marketing and advertising, user privacy and data security, search engines, and internet tracking technologies. Future taxation on the use of the internet or e-commerce transactions could also be imposed. Existing or future regulation or taxation could increase our operating expenses and expose us to significant liabilities.

We are subject to data privacy and security laws and regulations governing our collection, use, disclosure, and storage of personally identifiable information, including personal health information, which may impose restrictions on us and our operations and subject us to penalties if we are unable to fully comply with such laws.

In order to provide our products and services, we routinely receive, process, transmit, and store personally identifiable information ("PII"), including personal health information, of individuals, as well as other financial, confidential, and proprietary information belonging to our members and third parties from which we obtain information (e.g., private insurance companies, financial institutions, etc.). The receipt, maintenance, protection, use, transmission, disclosure, and disposal of this information is regulated at the federal, state, international, and industry levels, and we may also have obligations with respect to this information pursuant to our contractual requirements. These laws, rules, and requirements are subject to frequent change. Compliance with new privacy and security laws, regulations, and requirements may result in increased operating costs and may constrain or require us to alter our business model or operations.

These laws and regulations include the Health Information Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their implementing regulations (referred to collectively as "HIPAA"). Among other requirements, HIPAA establishes privacy and security standards for the protection of Protected Health Information ("PHI") by health plans, healthcare clearinghouses, and certain healthcare providers, referred to as covered entities, which includes us, and the business associates with whom such covered entities contract for services. HIPAA imposes mandatory penalties for certain violations. Penalties will vary significantly depending on factors such as the date of the violation, whether the covered entity or business associate knew or should have known of the failure to comply, or whether the failure to comply was due to willful neglect. HIPAA also authorizes state attorneys general to file suit on behalf of their residents. Courts are able to award damages, costs, and attorneys' fees related to violations of HIPAA in such cases, and HIPAA standards have been used as the basis for duty of care in state civil suits, such as those for negligence or recklessness in the misuse or breach of PHI. In addition, HIPAA mandates that the Secretary of Health and Human Services ("HHS") conduct periodic compliance audits of HIPAA covered entities or business associates for compliance with the HIPAA Privacy and Security Standards. HIPAA requires notification of affected patients and HHS, and in certain cases media outlets, for unauthorized acquisition, access, use, or disclosure of PHI, with certain exceptions related to unintentional or inadvertent use or disclosure by employees or authorized individuals.

We have members throughout all 50 states, and our solutions may contain healthcare information of patients located across all 50 states. Therefore, we may be subject to the privacy laws of each such state, which vary from state to state and, in some cases, can impose more restrictive requirements than federal law, for instance in California. The interplay of federal and state laws may be subject to varying interpretations by courts and government agencies, creating complex compliance issues for us and potentially exposing us to additional expense, adverse publicity, and liability. Further, as regulatory focus on privacy issues continues to increase and laws and regulations concerning the protection of personal information are proposed, enacted, or expanded or become more complex, the risks to our business could intensify. Changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as PHI or PII, along with increased member demands for enhanced data security infrastructure, could greatly increase our cost of providing our products or services, decrease demand for our products or services, reduce our revenue, and/or subject us to additional liabilities.

We are also subject to the Personal Information Protection and Electronic Documents Act ("PIPEDA") and similar provincial laws in Canada. PIPEDA is the federal privacy law for private-sector organizations. It sets out the ground rules for how businesses must handle personal information in the course of commercial activity. Under PIPEDA, we must obtain an individual's consent when we collect, use, or disclose that individual's personal information. Individuals have the right to access and challenge the accuracy of their personal information held by an organization, and personal information may only be used for the purposes for which it was collected. If an organization intends to use personal information for another purpose, it must again obtain that individual's consent. Failure to comply with PIPEDA could result in significant fines and penalties or possible damage awards for the tort of public humiliation.

As we expand internationally, we will be subject to additional privacy rules, many of which, such as the E.U.'s General Data Protection Regulation (the "GDPR") are significantly more stringent than those in the U.S. We cannot yet determine the impact such future laws, regulations and standards may have on our business. Complying with these evolving obligations is costly, and any failure to comply could give rise to unwanted media attention and other negative publicity, damage our member and consumer relationships and reputation, and result in lost sales, fines, or lawsuits.

Noncompliance or findings of noncompliance with applicable laws, regulations, or requirements, or the occurrence of any privacy or security breach involving the misappropriation, loss, or other unauthorized disclosure of sensitive personal information, whether by us or by one of our third party service providers, could have a material adverse effect on our reputation and business, including, among other consequences, mandatory disclosure to the media, loss of existing or new members, significant increases in the cost of managing and remediating privacy or security incidents, and material fines, penalties, and litigation awards, any of which could have a material adverse effect on our business, results of operations, and financial condition. See "*Our Business—Regulatory Matters—Post-market Regulation—Health information privacy and security laws*."

We obtain and process a large amount of sensitive data. Our systems and networks may be subject to cyber-security breaches and other disruptions that could compromise our information. Any real or perceived improper use of, disclosure of, or access to such data could harm our reputation and have a material adverse effect on our business, results of operations, and financial condition.

We use, obtain, and process large amounts of confidential, sensitive, and proprietary data, including PHI subject to HIPAA and PII subject to state and federal privacy, security, and breach notification laws. The secure processing and maintenance of this information is critical to our operations and business strategy. If our or our members' confidential information is lost, improperly disclosed, or threatened to be disclosed, our insurance may not protect us from these risks.

Our website and information systems may be subject to computer viruses, break-ins, phishing impersonation attacks, attempts to overload our servers with denial-of-service or other attacks, ransomware, and similar incidents or disruptions from unauthorized use of our computer systems, as well as unintentional incidents, including employee or system error, causing data leakage, any of which could lead to interruptions, delays, or website shutdowns, or could cause loss of critical data or the unauthorized disclosure, access, acquisition, alteration, or use of personal or other confidential information. It is critical that our facilities and infrastructure remain secure and are also perceived by the marketplace and our members to be secure. Our infrastructure may be vulnerable to physical break-ins, computer viruses, programming errors or other technical malfunctions, hacking or phishing attacks by third parties, employee error or malfeasance, or similar disruptive problems. If we fail to meet our members' expectations regarding the security of healthcare information, we could incur significant liability and be subject to regulatory scrutiny and penalties and our reputation and competitive position could be impaired. Affected parties could initiate legal or regulatory action against us, which could cause us to incur significant expense and liability or result in orders forcing us to modify our business practices. We could be forced to expend significant resources investigating the cause of the incident, repairing system damage, increasing cyber-

security protection, and notifying and providing credit monitoring to affected individuals. Concerns over our privacy practices could adversely affect others' perception of us and deter members, advertisers, and partners from using our products. All of this could increase our expenses and divert the attention of our management and key personnel away from our business operations. Member care could suffer, and we could be liable if our systems fail to deliver correct information in a timely manner. Our insurance may not protect us from these risks.

We are subject to consumer protection laws that regulate our marketing practices and prohibit unfair or deceptive acts or practices. Our actual or perceived failure to comply with such obligations could harm our business, and changes in such regulations or laws could require us to modify our products or marketing or advertising efforts.

In connection with the marketing or advertisement of our products and services, we could be the target of claims relating to false, misleading, deceptive, or otherwise noncompliant advertising or marketing practices, including under the auspices of the FTC and state consumer protection statutes. If we rely on third parties to provide any marketing and advertising of our products and services, we could be liable for, or face reputational harm as a result of, their marketing practices if, for example, they fail to comply with applicable statutory and regulatory requirements.

If we are found to have breached any consumer protection, advertising, unfair competition, or other laws or regulations, we may be subject to enforcement actions that require us to change our marketing and business practices in a manner which may negatively impact us. This could also result in litigation, fines, penalties, and adverse publicity that could cause reputational harm and loss of member trust, which could have an adverse effect on our business.

We are subject to a number of risks related to the credit card and debit card payments we accept.

We accept payments through credit and debit card transactions. For credit and debit card payments, we pay interchange and other fees, which may increase over time. An increase in those fees may require us to increase the prices we charge and would increase our operating expenses, either of which could harm our business, results of operations, and financial condition.

If we or our processing vendors fail to maintain adequate systems for the authorization and processing of credit and debit card transactions, it could cause one or more of the major credit card companies to disallow our continued use of their payment products. In addition, if these systems fail to work properly and, as a result, we do not charge our members' credit or debit cards on a timely basis or at all, our business, revenue, results of operations, and financial condition could be harmed.

The payment methods that we offer also subject us to potential fraud and theft by criminals, who are becoming increasingly more sophisticated in exploiting weaknesses that may exist in the payment systems. If we fail to comply with applicable rules or requirements for the payment methods we accept, or if payment-related data is compromised due to a breach, we may be liable for significant costs incurred by payment card issuing banks and other third parties or subject to fines and higher transaction fees, or our ability to accept or facilitate certain types of payments may be impaired. In addition, our members could lose confidence in certain payment types, which may result in a shift to other payment types or potential changes to our payment systems that may result in higher costs. If we fail to adequately control fraudulent credit card transactions, we may face civil liability, diminished public perception of our security measures, and significantly higher card-related costs, each of which could harm our business, results of operations, and financial condition.

We are also subject to payment card association operating rules, certification requirements, and rules governing electronic funds transfers, which could change or be reinterpreted to make it more difficult for us to comply. We are required to comply with payment card industry security standards. Failing to comply with those standards may violate payment card association operating rules, federal and state laws and regulations, and the terms of our contracts with payment processors. Any failure to comply fully also may

subject us to fines, penalties, damages, and civil liability, and may result in the loss of our ability to accept credit and debit card payments. Further, there is no guarantee that such compliance will prevent illegal or improper use of our payment systems or the theft, loss, or misuse of data pertaining to credit and debit cards, card holders, and transactions.

If we are unable to maintain our chargeback rate or refund rates at acceptable levels, our processing vendor may increase our transaction fees or terminate its relationship with us. Any increases in our credit and debit card fees could harm our results of operations, particularly if we elect not to raise our rates for our products and services to offset the increase. The termination of our ability to process payments on any major credit or debit card would significantly impair our ability to operate our business.

Issues related to the quality and safety of our products, raw materials, or packaging could cause a product recall or discontinuation or litigation, resulting in harm to our reputation and negatively impacting our business, results of operations, and financial condition.

Medical devices involve an inherent risk of product liability claims and associated adverse publicity. Our products generally maintain a good reputation with members, but issues related to quality and safety of products, raw materials, or packaging could jeopardize our image and reputation. Negative publicity related to these types of concerns, whether valid or not, might negatively impact demand for our products or cause production and delivery disruptions. We may need to recall or discontinue products if they become unfit for use. In addition, we could potentially be subject to litigation or government action, which could result in payment of fines or damages. Although we intend to continue to maintain product liability insurance, adequate insurance may not be available on acceptable terms, if at all, and may not provide adequate coverage against potential liabilities. Also, other types of claims asserted against us may not be covered by insurance. A successful claim brought against us in excess of available insurance, or another type of claim which is uninsured or that results in significant adverse publicity against us, could harm our business, results of operations, and financial condition. Any claim, regardless of its merit or eventual outcome, could result in significant legal defense costs. These costs would have the effect of increasing our expenses and diverting management's attention away from the operation of our business, and could harm our business. Cost associated with these potential actions could negatively affect our business, results of operations, and financial condition.

Risks Related to Our Organization and Structure

After the completion of this offering, pursuant to the Voting Agreement, David Katzman, our Chairman and Chief Executive Officer, will control a majority of the voting power of shares of our common stock eligible to vote in the election of our directors and on other matters submitted to a vote of our stockholders, and his interests may conflict with ours or yours in the future.

Holders of our Class A common shares and our Class B common shares will vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders, with each share of Class A common stock entitling the holder to one vote and each share of Class B common stock entitling the holder to ten votes. In connection with the Reorganization Transactions and prior to the consummation of this offering, the Voting Group will enter into the Voting Agreement, pursuant to which the Voting Group will give David Katzman, our Chairman and Chief Executive Officer, sole voting, but not dispositive, power over the shares of our Class B common stock beneficially owned by the Voting Group. Accordingly, immediately following this offering, pursuant to the Voting Agreement, David Katzman will control a majority of the voting power of shares of our common stock eligible to vote in the election of our directors and on other matters submitted to a vote of our stockholders. So long as 15.1% of shares of Class B common stock remain outstanding, the holders of our Class B common stock will be able to control of the outcome of matters submitted to a stockholder vote. Even when the Voting Group ceases to own shares of our common stock representing a majority of the total voting power, for so long as the Voting Group continues to own a significant percentage of our common stock, David Katzman, through his

voting power, will still be able to significantly influence the composition of our board of directors and the approval of actions requiring stockholder approval. Accordingly, for such period of time, David Katzman will have significant influence with respect to our management, business plans, and policies, including the appointment and removal of our officers. In particular, until the earlier of (i) the ten-year anniversary of the consummation of this offering or (ii) the date on which the shares of Class B common stock held by the Voting Group and their permitted transferees represent less than 15% of the Class B common stock held by the Voting Group and their permitted transferees as of immediately following the consummation of this offering, David Katzman will be able to cause or prevent a change of control of us or a change in the composition of our board of directors and could preclude any unsolicited acquisition of us. The concentration of voting power could deprive you of an opportunity to receive a premium for your shares of Class A common stock as part of a sale of us and ultimately might affect the market price of our Class A common stock. See "*Certain Relationships and Related Party Transactions—Voting Agreement*."

David Katzman and Camelot Venture Group ("Camelot"), with which he and certain other members of the Voting Group are affiliated, engage in a broad spectrum of activities. While the SDC Financial LLC Agreement will restrict the Continuing LLC Members from engaging in certain competing business activities, David Katzman and Camelot may engage in activities where their interests conflict with our interests or those of our stockholders.

We will be a holding company. Our sole material asset after completion of this offering will be our equity interest in SDC Financial, and as such, we will depend on our subsidiaries for cash to fund all of our expenses, including taxes and payments under the Tax Receivable Agreement.

We are a holding company and will have no material assets other than our ownership of LLC Units. Our ability to pay cash dividends will depend on the payment of distributions by our current and future subsidiaries, including SDC Financial, SmileDirectClub, LLC ("SDC LLC") and SDC Holding, LLC ("SDC Holding"), and such distributions may be restricted as a result of regulatory restrictions, state law regarding distributions by a limited liability company to its members, or contractual agreements, including any future agreements governing their indebtedness.

SDC Financial will be treated as a flow-through entity for U.S. federal income tax purposes and, as such, generally will not be subject to U.S. federal income tax. Instead, taxable income will be allocated to holders of LLC Units, including us. Accordingly, we will incur income taxes on our allocable share of any net taxable income of SDC Financial and will also incur expenses related to our operations. Subject to having available cash and subject to limitations imposed by applicable law and contractual restrictions (including pursuant to our debt instruments), the SDC Financial LLC Agreement requires SDC Financial to make certain distributions to us and the Continuing LLC Members, calculated using an assumed tax rate, to facilitate the payment of taxes with respect to the income of SDC Financial that is allocated to us and them. We also will incur expenses related to our operations and intend to cause SDC Financial to make distributions or, in the case of certain expenses, payments in an amount sufficient to allow us to pay our taxes and operating expenses and to fund our payment of amounts due under the Tax Receivable Agreement. Because tax distributions are based on an assumed tax rate, SDC Financial may be required to make tax distributions that, in the aggregate, exceed the amount of taxes that SDC Financial would have paid if it were itself taxed on its net income. SDC Financial's ability to make such distributions may be subject to various limitations and restrictions. If we do not have sufficient funds to pay tax or other liabilities or to fund our operations (as a result of SDC Financial's inability to make distributions due to various limitations and restrictions or as a result of the acceleration of our obligations under the Tax Receivable Agreement), we may have to borrow funds, and our liquidity and financial condition could be materially and adversely affected. To the extent that we are unable to make payments under the Tax Receivable Agreement for any reason, such payments will be deferred and will accrue interest. See "*Organizational Structure*" and "*Certain Relationships and Related Party Transactions—Tax Receivable Agreement*."

SDC Financial may make distributions of cash to us substantially in excess of the amounts we use to make distributions to our stockholders and pay our expenses (including our taxes and payments under the Tax Receivable Agreement). To the extent we do not distribute such excess cash as dividends on our Class A common stock, the Continuing LLC Members would benefit from any value attributable to such cash as a result of their ownership of Class A common stock upon an exchange or redemption of their LLC Units.

Following this offering, we will receive a portion of any distributions made by SDC Financial. Any cash received from such distributions will first be used by us to satisfy any tax liability and then to make any payments required under the Tax Receivable Agreement. Subject to having available cash and subject to limitations imposed by applicable law and contractual restrictions (including pursuant to our debt instruments), the SDC Financial LLC Agreement requires SDC Financial to make certain distributions to us and the Continuing LLC Members, pro rata, to facilitate the payment of taxes with respect to the income of SDC Financial that is allocated to us and them. To the extent that the tax distributions we receive exceed the amounts we actually require to pay taxes, Tax Receivable Agreement payments, and other expenses, we will not be required to distribute such excess cash. Our board of directors may, in its sole discretion, choose to use such excess cash for any purpose, including (i) to make distributions to the holders of our Class A common stock, (ii) to acquire additional newly issued LLC Units, and/or (iii) to repurchase outstanding shares of our Class A common stock. Unless and until our board of directors chooses, in its sole discretion, to declare a distribution, we will have no obligation to distribute such cash (or other available cash other than any declared dividend) to our stockholders.

No adjustments to the redemption or exchange ratio of LLC Units for shares of our Class A common stock will be made as a result of either (i) any cash distribution by us or (ii) any cash that we retain and do not distribute to our stockholders. To the extent we do not distribute such cash as dividends on our Class A common stock and instead, for example, hold such cash balances, buy additional LLC Units or lend them to SDC Financial, this may result in shares of our Class A common stock increasing in value relative to the LLC Units. The holders of LLC Units may benefit from any value attributable to such cash balances if they acquire shares of Class A common stock in exchange for their LLC Units or if we acquire additional LLC Units (whether from SDC Financial or from holders of LLC Units) at a price based on the market price of our Class A common stock at the time. See "*Certain Relationships and Related Party Transactions —SDC Financial LLC Agreement*" and "*Dividend Policy*" for further information.

Pursuant to the Tax Receivable Agreement, we will be required to pay the Continuing LLC Members for certain tax benefits we may claim as a result of the tax basis step-up we receive in connection with this offering, as well as subsequent exchanges of LLC Units for shares of Class A common stock or cash. In certain circumstances, payments under the Tax Receivable Agreement may be accelerated and/or significantly exceed the actual tax benefits we realize.

Our purchase of LLC Units from SDC Financial, coupled with SDC Financial's purchase and cancellation of LLC Units from the Pre-IPO Investors in connection with this offering and any future exchanges of LLC Units for our Class A common stock or cash are expected to result in increases in our allocable tax basis in the assets of SDC Financial that otherwise would not have been available to us. These increases in tax basis are expected to reduce the amount of cash tax that we would otherwise have to pay in the future due to increases in depreciation and amortization deductions (for tax purposes). These increases in tax basis may also decrease gain (or increase loss) on future dispositions of certain assets of SDC Financial to the extent the increased tax basis is allocated to those assets. The Internal Revenue Service ("IRS") may challenge all or part of these tax basis increases, and a court could sustain such a challenge.

In connection with the consummation of this offering, we and SDC Financial will enter into the Tax Receivable Agreement, pursuant to which we will agree to pay the Continuing LLC Members 85% of the cash savings, if any, in U.S. federal, state, and local income tax or franchise tax that we actually realize as a result of (a) the increases in tax basis attributable to exchanges by Continuing LLC Members and (b) tax benefits related to imputed interest deemed to be paid by us as a result of the Tax Receivable Agreement.

See "*Certain Relationships and Related Party Transactions—Tax Receivable Agreement*." While the actual increase in tax basis, as well as the actual amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of shares of our Class A common stock at the time of the exchange, the extent to which such exchanges are taxable, future tax rates, and the amount and timing of our income, we expect that, as a result of the size of the increases in the tax basis of the tangible and intangible assets of SDC Financial attributable to our interests in SDC Financial, during the expected term of the Tax Receivable Agreement, the payments that we may make to the Continuing LLC Members could be substantial.

The payment obligation under the Tax Receivable Agreement is our obligation and not an obligation of SDC Financial. In addition, the Continuing LLC Members will not reimburse us for any payments previously made under the Tax Receivable Agreement if such basis increases or other benefits are subsequently disallowed, although excess payments made to any Continuing LLC Member may be netted against payments otherwise to be made, if any, to the relevant Continuing LLC Member after our determination of such excess. However, a challenge to any tax benefits initially claimed by us may not arise for a number of years following the initial time of such payment or, even if challenged early, such excess cash payment may be greater than the amount of future cash payments that we might otherwise be required to make under the terms of the Tax Receivable Agreement and, as a result, there might not be future cash payments from which to net against. The applicable U.S. federal income tax rules are complex and factual in nature, and there can be no assurance that the IRS or a court will not disagree with our tax reporting positions. As a result, in certain circumstances we may make payments to the Continuing LLC Members under the Tax Receivable Agreement in excess of our actual cash tax savings. Our ability to achieve benefits from any tax basis increase, and the payments to be made under the Tax Receivable Agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income.

In addition, the Tax Receivable Agreement provides that, upon a merger, asset sale or other form of business combination or certain other changes of control, a material breach of our obligations under the Tax Receivable Agreement or if, at any time, we elect an early termination of the Tax Receivable Agreement, our (or our successor's) obligations with respect to exchanged or acquired LLC Units (whether exchanged or acquired before or after such change of control or early termination) would be based on certain assumptions, including that we would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the Tax Receivable Agreement, and, in the case of certain early termination elections, that any LLC Units that have not been exchanged will be deemed exchanged for the market value of the Class A common stock at the time of termination. Consequently, it is possible, in these circumstances, that the actual cash tax savings realized by us may be significantly less than the corresponding Tax Receivable Agreement payments.

Anti-takeover provisions in our organizational documents and Delaware law might discourage or delay attempts to acquire us that you might consider favorable.

Our amended and restated certificate of incorporation and amended and restated bylaws will contain provisions that may make the merger or acquisition of us more difficult without the approval of our board of directors. Among other things, these provisions will:

- allow us to authorize the issuance of undesignated preferred stock in connection with a stockholder rights plan or otherwise, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock;

- preclude stockholder action by written consent at any time when the Voting Group controls, in the aggregate, less than 30% of the voting power of our stock entitled to vote generally in the election of directors, unless such action is unanimously recommended by the board;

- provide that our bylaws may be amended or repealed only by a majority vote of our board of directors or by the affirmative vote of the holders of at least $66^{2}/_{3}\%$ of the votes which all our stockholders would be entitled to cast in any annual election of directors; and

- establish advance notice requirements for nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Further, as a Delaware corporation, we are also subject to provisions of Delaware law, which may impair a takeover attempt that our stockholders may find beneficial. These anti-takeover provisions and other provisions under Delaware law could discourage, delay, or prevent a transaction involving a change in control of us, including actions that our stockholders may deem advantageous, or could negatively affect the market price of our Class A common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire. See "*Description of Capital Stock—Business Combinations.*"

Our amended and restated certificate of incorporation will designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for certain disputes with us or our directors, officers, or employees.

Our amended and restated certificate of incorporation will provide that, unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for any (i) derivative action or proceeding brought on our behalf, (ii) action asserting a claim of breach of a fiduciary duty owed by any of our directors or officers to us or our stockholders, creditors, or other constituents, (iii) action asserting a claim against us or any our directors or officers arising pursuant to any provision of the Delaware General Corporation Law ("DGCL"), our amended and restated certificate of incorporation, or our amended and restated bylaws, or (iv) action asserting a claim against us or any of our directors or officers governed by the internal affairs doctrine, provided, however, that, in the event that the Court of Chancery of the State of Delaware lacks subject matter jurisdiction over any such action or proceeding, the sole and exclusive forum for such action or proceeding shall, with limited exceptions, be another state or federal court located within the State of Delaware. Any person or entity purchasing or otherwise acquiring any interest in our shares of capital stock shall be deemed to have notice of and consented to the forum provisions in our amended and restated certificate of incorporation described above. This choice of forum provision may limit a stockholder's ability to bring claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or employees, which may discourage such lawsuits against us and our directors, officers, and employees. Alternatively, if a court were to find these provisions of our amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

Provisions in our organizational documents regarding exculpation and indemnification of our directors and officers may result in substantial expenditures by us and may discourage lawsuits against our directors and officers.

Our amended and restated certificate of incorporation and amended and restated bylaws will, to the maximum extent permissible under Delaware law, eliminate the personal liability of our directors and officers to us and our stockholders for damages for breach of fiduciary duty. These provisions may discourage us, or our stockholders through derivative litigation, from bringing a lawsuit against any of our current or former directors or officers for any breaches of their fiduciary duties, even if such legal actions,

if successful, might benefit us or our stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws will provide that we will, to the fullest extent permitted by Delaware law, indemnify our directors and officers for costs or damages incurred by them in connection with any threatened, pending, or completed action, suit, or proceeding brought against by reason of their positions as directors and officers. We also intend to enter into indemnification agreements with each of our directors and executive officers. See "*Certain Relationships and Related Party Transactions—Indemnification Agreements*." Although we expect to purchase directors' and officers' insurance, these indemnification obligations could result in our incurring substantial expenditures to cover the cost of settlement or damage awards against our directors or officers.

Risks Related to Our Common Stock and this Offering

Upon the listing of our Class A common stock on the NASDAQ Global Select Market, we will be a "controlled company" within the meaning of the corporate governance standards of NASDAQ. As a result, we will qualify for, and intend to rely on, exemptions from certain corporate governance standards. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

After the completion of this offering, pursuant to the Voting Agreement, David Katzman, our Chairman and Chief Executive Officer, will control a majority of the voting power of shares eligible to vote in the election of our directors. Because more than 50% of the voting power in the election of our directors will be held by an individual, group, or another company, we will be a "controlled company" within the meaning of the corporate governance standards of NASDAQ. As a controlled company, we may elect not to comply with certain corporate governance requirements, including the requirements that, within one year of the date of the listing of our Class A common stock:

- a majority of our board of directors consists of "independent directors," as defined under the rules of such exchange;
- our board of directors has a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- our board of directors has a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

Following this offering, we intend to utilize these exemptions. As a result, immediately following this offering we do not expect that the majority of our directors will be independent or that, other than the audit committee, any committees of our board of directors will be composed entirely of independent directors. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of NASDAQ. See "*Management—Controlled Company Exception*."

We are an "emerging growth company," and the reduced public company reporting requirements applicable to emerging growth companies may make our Class A common stock less attractive to investors.

We qualify as an "emerging growth company," as defined in the JOBS Act. For so long as we remain an emerging growth company, we are permitted and plan to rely on exemptions from certain disclosure requirements that are applicable to public companies that are not emerging growth companies. These provisions include, but are not limited to: being permitted to have only two years of audited financial statements and only two years of related selected financial data and management's discussion and analysis of financial condition and results of operations disclosure; an exemption from compliance with the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act; not being required to comply with any requirement that may be adopted by the PCAOB regarding mandatory audit firm rotation or a supplement to the auditor's report

providing additional information about the audit and the financial statements; reduced disclosure obligations regarding executive compensation arrangements in our periodic reports, registration statements, and proxy statements; and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. In addition, the JOBS Act permits emerging growth companies to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We intend to take advantage of the exemptions discussed above. As a result, the information we provide will be different than the information that is available with respect to other public companies. In this prospectus, we have not included all of the executive compensation-related information that would be required if we were not an emerging growth company. We cannot predict whether investors will find our Class A common stock less attractive if we rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock, and the market price of our Class A common stock may be more volatile.

We will remain an emerging growth company until the earliest of (i) the end of the fiscal year following the fifth anniversary of the completion of this offering, (ii) the first fiscal year after our annual gross revenues exceed $1.07 billion, (iii) the date on which we have, during the immediately preceding three-year period, issued more than $1.00 billion in non-convertible debt securities, or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeds $700 million as of the end of the second quarter of that fiscal year.

We will incur increased costs and become subject to additional regulations and requirements as a result of becoming a public company, which could lower our profits or make it more difficult to run our business.

As a public company, we will incur significant legal, accounting, and other expenses that we have not incurred as a private company, including costs associated with public company reporting requirements. We also have incurred and will continue to incur costs associated with the Sarbanes-Oxley Act, and related rules implemented by the SEC and NASDAQ. The expenses generally incurred by public companies for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. These laws and regulations also could make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on our board committees, or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our Class A common stock, fines, sanctions, other regulatory action, and potentially civil litigation.

If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A common stock may decline.

As a public company, we will be required to maintain internal control over financial reporting and to report any material weaknesses in such internal controls. In addition, beginning with our second annual report on Form 10-K, we will be required to furnish a report by management on the effectiveness of our internal control over financial reporting, pursuant to Section 404 of the Sarbanes-Oxley Act. The process of designing, implementing, and testing the internal control over financial reporting required to comply with this obligation is time consuming, costly, and complicated. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to assert that our internal control over financial reporting is effective, investors may lose confidence in the accuracy and completeness of our

financial reports and the market price of our Class A common stock could decline, and we could also become subject to investigations by the stock exchange on which our Class A common stock is listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

There may not be an active trading market for our Class A common stock, which may cause shares of our Class A common stock to trade at a discount from the initial public offering price and make it difficult to sell the shares of Class A common stock you purchase.

Prior to this offering, there has been no public market for our Class A common stock. It is possible that after this offering, an active trading market will not develop or, if developed, that any market will not be sustained, which would make it difficult for you to sell your shares of Class A common stock at an attractive price or at all. The initial public offering price per share of Class A common stock was determined by agreement among us and the representative of the underwriters, and may not be indicative of the price at which shares of our Class A common stock will trade in the public market, if any, after this offering.

The market price of shares of our Class A common stock may be volatile, which could cause the value of your investment to decline.

Even if an active trading market develops, the market price of our Class A common stock may be highly volatile and could be subject to wide fluctuations. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market, or political conditions, could reduce the market price of shares of our Class A common stock regardless of our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors due to a number of potential factors, including variations in our quarterly operating results or dividends, if any, to stockholders, additions or departures of key management personnel, failure to meet analysts' earnings estimates, publication of research reports about our industry, litigation and government investigations, changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, changes in market valuations of similar companies or speculation in the press or investment community, announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures, or capital commitments, adverse publicity about the industries we participate in, or individual scandals, and, in response, the market price of our Class A common stock could decrease significantly. You may be unable to resell your shares of Class A common stock at or above the initial public offering price.

In the past few years, stock markets have experienced extreme price and volume fluctuations. In the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. Such litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

We have no current plans to pay cash dividends on our Class A common stock; as a result, you may not receive any return on investment unless you sell your Class A common stock for a price greater than that which you paid for it.

We have no current plans to pay dividends on our Class A common stock. Any future determination to pay dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual, legal, tax and regulatory restrictions, general business conditions, and other factors that our board of directors may deem relevant. In addition, our ability to pay cash dividends may be restricted by the terms of any of our future debt financing arrangements, which may contain terms restricting or limiting the amount of dividends that may be declared or paid on our common stock. As a

result, you may not receive any return on an investment in our Class A common stock unless you sell your Class A common stock for a price greater than that which you paid for it.

If our operating and financial performance in any given period does not meet the guidance that we provide to the public, the market price of our Class A common stock may decline.

We may, but are not obligated to, provide public guidance on our expected operating and financial results for future periods. Any such guidance will be comprised of forward-looking statements subject to the risks and uncertainties described in this prospectus and in our other public filings and public statements. Our actual results may not always be in line with or exceed any guidance we have provided, especially in times of economic uncertainty. If, in the future, our operating or financial results for a particular period do not meet any guidance we provide or the expectations of investment analysts, or if we reduce our guidance for future periods, the market price of our Class A common stock may decline. Even if we do issue public guidance, there can be no assurance that we will continue to do so in the future.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports, the market price of our Class A common stock could decline.

The trading market for our Class A common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one of more of these analysts ceases coverage of us or fails to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume of our Class A common stock to decline. Moreover, if one or more of the analysts who cover us downgrades our Class A common stock, or if our reporting results do not meet their expectations, the market price of our Class A common stock could decline.

The dual-class structure of our common stock may adversely affect the trading market for our Class A Shares.

S&P Dow Jones' criteria for inclusion of shares of public companies on certain indices, including the S&P 500, excludes companies with multiple classes of shares from being added to such indices. In addition, several shareholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our common stock may prevent the inclusion of our Class A common stock in such indices and may cause shareholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any exclusion from such indices could result in a less active trading market for our Class A common stock. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our Class A common stock.

We will have broad discretion in the use of the net proceeds from this offering and may not use them effectively.

Our management currently intends to use the net proceeds from this offering in the manner described in "*Use of Proceeds*" and will have broad discretion in the application of a significant part of the net proceeds from this offering. The failure by our management to apply these funds effectively could result in financial losses that could harm our business, cause the market price of our Class A common stock to decline, and delay the development of our operations. Pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value.

Investors in this offering will experience immediate and substantial dilution.

The initial public offering price of our Class A common stock is substantially higher than the pro forma net tangible book value per share of our Class A common stock. Therefore, if you purchase shares of our Class A common stock in this offering, you will pay a price per share that substantially exceeds our pro forma net tangible book value per share after this offering. Based on the initial public offering price of

$20.50 per share, the midpoint of the price range set forth on the cover page of this prospectus, you will experience immediate dilution of $19.11 per share, representing the difference between our pro forma net tangible book value per share after giving effect to this offering and the initial public offering price. In addition, purchasers of Class A common stock in this offering will have contributed 73% of the aggregate price paid by all purchasers of our common stock and LLC Units but will own only approximately 15% of our total equity outstanding after this offering. See "*Dilution*" for more detail, including the calculation of the pro forma net tangible book value per share of our Class A common stock.

You may be diluted by the future issuance of common stock, preferred stock, or securities convertible or exchangeable into common or preferred stock, in connection with our incentive plans, acquisitions, capital raises, or otherwise.

After this offering we will have approximately 1,895,175,000 shares of Class A common stock authorized but unissued, including approximately 281,865,000 shares of Class A common stock reserved for issuance upon exchange of LLC Units and shares of Class B common stock that will be held by the Continuing LLC Members. Our amended and restated certificate of incorporation to become effective prior to the consummation of this offering authorizes us to issue these shares of common stock and options, rights, warrants, and appreciation rights relating to common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise.

In the future, we expect to obtain financing or to further increase our capital resources by issuing additional shares of our capital stock or offering debt or other equity securities, including senior or subordinated notes, debt securities convertible into equity, or shares of preferred stock. Issuing additional shares of our capital stock, other equity securities, or securities convertible into equity may dilute the economic and voting rights of our existing stockholders, reduce the market price of our Class A common stock, or both. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred stock, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our Class A common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing, or nature of our future offerings. As a result, holders of our Class A common stock bear the risk that our future offerings may reduce the market price of our Class A common stock and dilute their percentage ownership. See "*Description of Capital Stock*."

Additionally, we have reserved an aggregate of the greater of 55,412,074 or 11.5% of the authorized, issued, and outstanding shares of Class A common stock as of the consummation of this offering for issuance under our Omnibus Plan and SPP. Any Class A common stock that we issue, including under our Omnibus Plan, SPP, or other equity incentive plans that we may adopt in the future, would dilute the percentage ownership held by the investors who purchase Class A common stock in this offering. We intend to file one or more registration statements on Form S-8 under the Securities Act to register shares of our Class A common stock or securities convertible into or exchangeable for shares of our Class A common stock issued pursuant to our Omnibus Plan and Stock Purchase Plan. Any such registration statement on Form S-8 will automatically become effective upon filing. Accordingly, shares of Class A common stock registered under such registration statements will be available for sale in the open market. See "*Executive and Director Compensation—Anticipated Equity Compensation Additions to Our Compensation Program Following the Offering—2019 Omnibus Incentive Plan*" and "*—Stock Purchase Plan.*"

If we or the Pre-IPO Investors sell additional shares of our Class A common stock after this offering, the market price of our Class A common stock could decline.

The sale of substantial amounts of our Class A common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of our Class A common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. Upon completion of this offering we will have a total of 104,825,858 shares of our Class A common stock outstanding (or 112,659,359 shares if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and an additional 281,863,766 shares of our Class A common stock issuable upon exchange of LLC Units (and corresponding shares of Class B common stock) held by the Continuing LLC Members. Of the outstanding shares of Class A common stock, the 58,537,000 shares sold in this offering (or 66,370,500 shares if the underwriters exercise in full their option to purchase additional shares of Class A common stock) will be freely tradable without restriction or further registration under the Securities Act, except that any shares held by our affiliates, as that term is defined under Rule 144 of the Securities Act, may be sold only in compliance with the limitations described in "*Shares Eligible for Future Sale*."

The remaining outstanding 328,152,624 shares of Class A common stock held by or issuable to our Pre-IPO Investors and management after this offering (including shares issuable upon exchange of LLC Units) will be subject to certain restrictions on resale. Substantially all of these shares are subject to lock-up agreements with the underwriters that will, subject to certain customary exceptions, restrict the sale of the shares of our Class A common stock held by them for 180 days following the date of this prospectus. J.P. Morgan Securities LLC may, in its sole discretion, release all or any portion of the shares of Class A common stock subject to lock-up agreements. Upon the expiration of the lock-up agreements, all such shares of Class A common stock will be eligible for resale in a public market, subject, in the case of shares held by our affiliates, to volume, manner of sale, and other limitations under Rule 144. See "*Shares Eligible for Future Sale*."

We intend to file one or more registration statements on Form S-8 under the Securities Act to register shares of our Class A common stock or securities convertible into or exchangeable for shares of our Class A common stock issued pursuant to our Omnibus Plan and SPP. Any such registration statement on Form S-8 will automatically become effective upon filing. Accordingly, shares of Class A common stock registered under such registration statements will be available for sale in the open market. We expect that the initial registration statement on Form S-8 will cover the greater of 55,412,074 or 11.5% of the authorized, issued, and outstanding shares of our Class A common stock as of the consummation of this offering. See "*Executive and Director Compensation—Anticipated Equity Compensation Additions to Our Compensation Program Following the Offering—2019 Omnibus Incentive Plan*" and "*—Stock Purchase Plan.*"

We are party to the Registration Rights Agreement with Pre-IPO investors, whereby, following this offering and the expiration of the related 180-day lock-up period, we may be required to register under the Securities Act the sale of shares of our Class A common stock held by Pre-IPO Investors, including shares that may be issued to Continuing LLC Members upon exchange of their LLC Units. Shares of Class A common stock registered pursuant to the Registration Rights Agreement will also be available for sale in the open market upon such registration unless restrictions apply. See "*Certain Relationships and Related Party Transactions—Registration Rights Agreement*."

As restrictions on resale end, the market price of our Class A common stock could drop significantly if the holders of these restricted shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our common stock or other securities.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions, or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "anticipates," "believes," "can," "could," "may," "predicts," "potential," "should," "will," "estimate," "plans," "projects," "continuing," "ongoing," "expects," "intends," and similar words or phrases. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements are not guarantees of future performance and involve risks and uncertainties which are subject to change based on various important factors, some of which are beyond our control. For more information regarding these risks and uncertainties as well as certain additional risks that we face, refer to "*Risk Factors*," as well as the factors more fully described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and elsewhere in this prospectus. Among the factors that could cause our financial performance to differ materially from that suggested by the forward-looking statements are:

- our ability to effectively manage our growth;
- our ability to effectively execute our business strategies, implement new initiatives, and improve efficiency;
- our sales and marketing efforts;
- our manufacturing capacity and performance and our ability to reduce the per unit production cost of our clear aligners;
- our ability to obtain regulatory approvals for any new or enhanced products;
- our estimates regarding revenues, expenses, capital requirements, and needs for additional financing;
- our ability to effectively market and sell, consumer acceptance of, and competition for our clear aligners in new markets;
- our relationships with retail partners and insurance carriers;
- our research, development, commercialization, and other activities and projected expenditures;
- changes or errors in the methodologies, models, assumptions, and estimates we use to prepare our financial statements, make business decisions, and manage risks;
- our current business model is dependent, in part, on current laws and regulations governing remote healthcare and the practice of dentistry, and changes in those laws, regulations, or interpretations that are inconsistent with our current business model could have a material adverse effect on our business;
- our relationships with our freight carriers, suppliers, and other vendors;
- our ability to maintain the security of our operating systems and infrastructure (e.g., against cyber-attacks);
- the adequacy of our risk management framework;
- our cash needs and ability to raise additional capital, if needed;
- our intellectual property position;
- our exposure to claims and legal proceedings;
- our use of proceeds from this offering; and

- other factors and assumptions described in this prospectus under "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and "*Our Business*."

If we issue and sell a number of shares of Class A common stock in excess of the number of shares set forth on the cover page of this prospectus, we expect to use the additional net proceeds to purchase and cancel additional LLC Units and shares of Class A common stock from Pre-IPO Investors at a price per LLC Unit or share of Class A common stock equal to the public offering price per share of Class A common stock in this offering, less the underwriting discount. As a result, the total numbers of outstanding shares of Class A common stock, LLC Units, and shares of Class B common stock, as well as the relative percentages of equity ownership and voting power of the holders of Class A common stock and Class B common stock, will be adjusted accordingly from the information presented herein.

If one or more of the factors affecting our forward-looking information and statements proves incorrect, its actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements. Therefore, we caution not to place undue reliance on any forward-looking information or statements. The effect of these factors is difficult to predict. Factors other than these also could adversely affect our results, and the reader should not consider these factors to be a complete set of all potential risks or uncertainties. New factors emerge from time to time, and management cannot assess the impact of any such factor on our business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Any forward-looking statements only speak as of the date of this document, and we undertake no obligation to update any forward-looking information or statements, whether written or oral, to reflect any change, except as required by law. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

ORGANIZATIONAL STRUCTURE

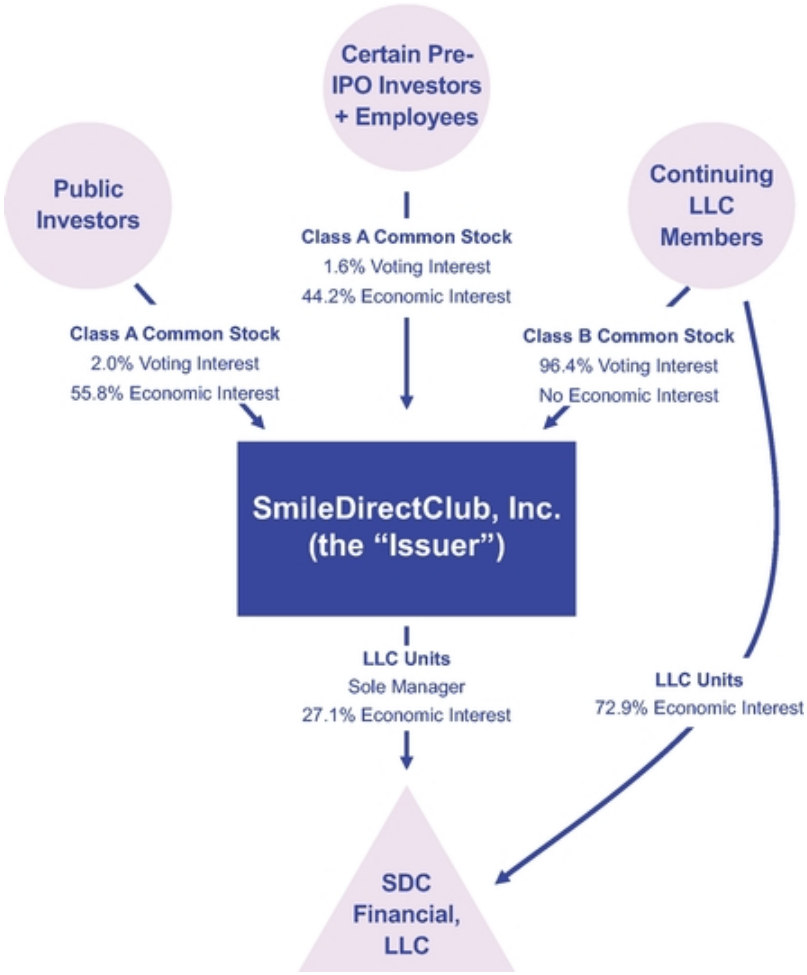
Organizational Structure Prior to This Offering

Prior to the consummation of the Reorganization Transactions and this offering, the capital structure of SDC Financial held by current investors, which we refer to, collectively, as the Pre-IPO Investors, consists of (i) five classes of outstanding membership units, which we refer to as Pre-IPO Units, including unvested restricted membership units, which we refer to as Restricted Units, held by certain team members, and (ii) Warrants to acquire membership units held by two service providers.

Organizational Structure Following This Offering

SDC Inc. has not engaged in any business or other activities except in connection with the Reorganization Transactions and this offering. Following consummation of the Reorganization Transactions and this offering, we will be a holding company. Our sole material asset will be our equity interest in SDC Financial, which also is a holding company and holds the sole equity interests in Access Dental, our operating subsidiary that directly or indirectly conducts all of our manufacturing operations, and SDC LLC, our operating subsidiary that directly or indirectly conducts substantially all of our other business operations. Because SDC Inc. will be the managing member of SDC Financial, SDC Financial will be the managing member of Access Dental and SDC LLC, and SDC LLC will be the managing member of SDC Holding, we will indirectly operate and control all of the business and affairs (and will consolidate the financial results) of SDC Financial and its subsidiaries. The ownership interest of the members of SDC Financial (other than SDC Inc.) will be reflected as noncontrolling interests in our consolidated financial statements.

The diagram below depicts our simplified organizational structure immediately following the consummation of the Reorganization Transactions and the consummation of this offering and the use of proceeds therefrom, assuming no exercise by the underwriters of their option to purchase additional shares of Class A common stock.



Reorganization Transactions

We are undertaking a series of transactions that will be completed prior to the closing of this offering, which we refer to, collectively, as the Reorganization Transactions, designed to create a corporate holding company that will conduct a public offering. These transactions include:

- the formation of SDC Inc. as a Delaware corporation to function as the ultimate parent of SmileDirectClub and a publicly traded entity;
- SDC Inc.'s acquisition of the Pre-IPO Units held by certain Pre-IPO Investors that are taxable as corporations for U.S. federal income tax purposes, which we refer to as the Blockers, pursuant to one or more mergers, which we refer to as the Blocker Mergers, of the Blockers with SDC Inc. or one or more newly formed, wholly owned subsidiaries of SDC Inc., and the issuance by SDC Inc. to the equityholders of the Blockers, which we refer to as the Blocker Shareholders, shares of Class A common stock as consideration in the Blocker Mergers;
- the amendment and restatement of the SDC Financial LLC Agreement to, among other things, modify the capital structure of SDC Financial by replacing the different classes of Pre-IPO Units (including Restricted Units) with a single new class of membership interests of SDC Financial, which we refer to as LLC Units;

- the issuance to each of the Pre-IPO Investors previously holding Pre-IPO Units (including Restricted Units) of a number of shares of our Class B common stock equal to the number of LLC Units held by it;

- the issuance to certain employees of cash and shares of Class A common stock pursuant to their IBAs, 71.4% of which will vest immediately (subject to lock-up restrictions on transfer) and 28.6% which will vest monthly over the next 24-48 months; and

- the equitable adjustment, pursuant to their terms, of outstanding Warrants into warrants to acquire LLC Units (together with an equal number of shares of our Class B common stock).

In connection with this offering, the vesting requirements applicable to certain of the Restricted Units will be partially accelerated. Following consummation of the Reorganization Transactions, the Warrants, as well as LLC Units and shares of Class B common stock issued in respect of Restricted Units that do not vest in connection with this offering, will be subject to the same vesting, exercise and/or forfeiture conditions as the previously held securities in SDC Financial, as applicable.

Incident to the foregoing transactions, we will enter into various agreements, including:

- *Amendment to the SDC Financial LLC Agreement:* As part of the Reorganization Transactions, the limited liability company agreement of SDC Financial will be amended and restated to, among other things, appoint SDC Inc. as its sole managing member and recapitalize the existing common interests in SDC Financial into a single class of limited liability company interests. We refer to the limited liability company agreement of SDC Financial, as in effect at the time of completion of this offering, as the "SDC Financial LLC Agreement." Subject to the terms and conditions of the SDC Financial LLC Agreement, the Continuing LLC Members will have the right to exchange their LLC Units (with automatic cancellation of an equal number of shares of Class B common stock) for shares of our Class A common stock on a one-for-one basis, subject to customary adjustments for stock splits, stock dividends and reclassifications, or for cash (based on the market price of shares of Class A common stock), with the form of consideration determined by the disinterested members of our board of directors. We have reserved for issuance shares of Class A common stock in respect of the aggregate number of shares of Class A common stock that may be issued upon exchange of LLC Units. See "*Certain Relationships and Related Party Transactions—SDC Financial LLC Agreement*."

- *Tax Receivable Agreement:* We and SDC Financial will enter into a Tax Receivable Agreement with the Continuing LLC Members, pursuant to which we will agree to pay the Continuing LLC Members 85% of the amount of cash tax savings, if any, in U.S. federal, state, and local income tax or franchise tax that we actually realize as a result of (a) the increases in tax basis attributable to exchanges by Continuing LLC Members and (b) tax benefits related to imputed interest deemed to be paid by us as a result of the Tax Receivable Agreement. See "*Certain Relationships and Related Party Transactions—Tax Receivable Agreement*."

- *Registration Rights Agreement:* We are party to the Registration Rights Agreement, whereby, following this offering and the expiration of the related 180-day lock-up period, we may be required to register under the Securities Act of 1933, as amended (the "Securities Act"), the sale of shares of our Class A common stock held by Pre-IPO Investors, including shares that may be issued to Continuing LLC Members upon exchange of their LLC Units. See "*Certain Relationships and Related Party Transactions—Registration Rights Agreement*."

Offering-Related Transactions

We intend to use substantially all of the net proceeds we receive from this offering (including from any exercise of the underwriters' option to purchase additional shares of Class A common stock) to purchase a number of newly issued LLC Units from SDC Financial, and the Continuing LLC Members will own the remaining outstanding LLC Units. As Continuing LLC Members exchange their LLC Units, those LLC

Units thereafter will be owned by SDC Inc. and SDC Inc.'s interest in SDC Financial will be correspondingly increased. The corresponding shares of Class B common stock held by Continuing LLC Members will be cancelled in connection with such exchanges. We intend to cause SDC Financial to use a portion of the net proceeds it receives from the sale of LLC Units to us to purchase and cancel LLC Units from Pre-IPO Investors at a price per LLC Unit equal to the public offering price per share of Class A common stock in this offering, less the underwriting discount. In addition, we intend to a portion of the net proceeds to purchase shares of Class A common stock from the Blocker Shareholders at a price equal to the public offering price per share of Class A common stock in this offering, less the underwriting discount. See "*Use of Proceeds*" and "*Certain Relationships and Related Party Transactions—Purchase of LLC Units*."

As a result of the transactions described above, and assuming the sale of shares of Class A common stock in this offering at a price per share to the public of $20.50, which is the midpoint of the estimated price range set forth on the cover page of this prospectus, and after giving effect to the consummation of this offering and the use of proceeds therefrom as described above:

- the investors in this offering will collectively own 58,537,000 shares of Class A common stock (or 66,370,500 shares of Class A common stock if the underwriters' option to purchase additional shares of Class A common stock is exercised in full);
- certain Pre-IPO Investors and employees will collectively own 46,288,858 shares of Class A common stock;
- SDC Inc. will hold 104,825,858 LLC Units (or 113,606,408 LLC Units if the underwriters' option to purchase additional shares of Class A common stock is exercised in full), representing 27.1% of the total economic interest of SDC Financial (or 27.4% if the underwriters' option to purchase additional shares of Class A common stock is exercised in full);
- the Pre-IPO Investors will collectively hold 281,863,766 LLC Units (or 274,652,696 LLC Units if the underwriters' option to purchase additional shares of Class A common stock is exercised in full), representing, 72.9% of the total economic interest of SDC Financial (or 70.7% if the underwriters' option to purchase additional shares of Class A common stock is exercised in full);
- the investors in this offering will collectively have 2.0% of the voting power in SDC Inc. (or 2.3% if the underwriters' option to purchase additional shares of Class A common stock is exercised in full);
- the Pre-IPO Investors will collectively hold 281,863,766 shares of Class B common stock, representing 96.4% of the voting power in SDC Inc. (or 96.1% if the underwriters' option to purchase additional shares of Class A common stock is exercised in full); and
- two service providers of SmileDirectClub will collectively hold Warrants to acquire up to 1,475,071 LLC Units (together with an equal number of shares of our Class B common stock).

If we issue and sell a number of shares of Class A common stock in excess of the number of shares set forth on the cover page of this prospectus, we expect to use the additional net proceeds to purchase and cancel additional LLC Units and shares of Class A common stock from Pre-IPO Investors at a price per LLC Unit or share of Class A common stock equal to the public offering price per share of Class A common stock in this offering, less the underwriting discount. As a result, the total numbers of outstanding shares of Class A common stock, LLC Units, and shares of Class B common stock, as well as the relative percentages of equity ownership and voting power of the holders of Class A common stock and Class B common stock, will be adjusted accordingly from the information presented herein.

Our post-offering organizational structure will allow the Continuing LLC Members to retain their equity ownership in SDC Financial, a Delaware limited liability company that is classified as a partnership for U.S. federal income tax purposes, in the form of LLC Units. Investors in this offering will, by contrast, hold their equity ownership in SDC Inc., a Delaware corporation, in the form of shares of Class A common

stock. The Continuing LLC Members, like SDC Inc., will incur U.S. federal, state, and local income taxes on their proportionate share of any taxable income of SDC Financial, including taxable income of Access Dental, SDC LLC and SDC Holding.

The Continuing LLC Members also will hold shares of Class B common stock of SDC Inc. Although those shares have no economic rights, they will allow the Continuing LLC Members to exercise voting power over SDC Inc. at a level that is greater than their overall equity ownership of our business. Under our certificate of incorporation, each holder of Class B common stock will initially be entitled to ten votes for each share of Class B common stock held by such holder on all matters presented to stockholders of SDC Inc. When the Continuing LLC Members exchange their LLC Units for shares of our Class A common stock or cash, with the form of consideration determined by the disinterested members of our board of directors, an equivalent number of shares of Class B common stock will be cancelled. Accordingly, as the Continuing LLC Members exchange their LLC Units, the voting power afforded to the Continuing LLC Members by their shares of Class B common stock will be automatically and correspondingly reduced. See "*Description of Capital Stock—Common Stock—Class B common stock*."

Holding Company Structure

SDC Inc. was incorporated in the State of Delaware on April 11, 2019. SDC Inc. has not engaged in any business or other activities except in connection with the Reorganization Transactions and this offering.

Following consummation of the Reorganization Transactions and this offering, SDC Inc. will be a holding company. Our sole material asset will be our equity interest in SDC Financial, which also is a holding company and has the sole equity interests in our operating subsidiaries. Because SDC Inc. will be the managing member of SDC Financial, SDC Financial will be the managing member of Access Dental and SDC LLC, and SDC LLC will be the managing member of SDC Holding, we will indirectly operate and control all of the business and affairs (and will consolidate the financial results) of SDC Financial and its subsidiaries. The ownership interest of the Continuing LLC Members will be reflected as a noncontrolling interest in SDC Inc.'s consolidated financial statements.

USE OF PROCEEDS

We estimate that our net proceeds from this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $1,132.2 million (or $1,299.5 million if the underwriters' option to purchase additional shares of Class A common stock is exercised in full) based upon an assumed initial public offering price of $20.50 per share of Class A common stock, which is the midpoint of the estimated price range set forth on the cover page of this prospectus. Each $1.00 increase (decrease) in the public offering price per share would increase (decrease) our net proceeds by $55.1 million. Each increase (decrease) of 1,000,000 shares in the number of shares of Class A common stock offered by us in this offering, as set forth on the cover page of this prospectus, would increase (decrease) our net proceeds by approximately $19.3 million.

We intend to use the net proceeds we receive from this offering as follows:

- approximately $493.4 million (or approximately $664.4 million if the underwriters' option to purchase additional shares of Class A common stock is exercised in full) to purchase and cancel LLC Units from Pre-IPO Investors and shares of Class A common stock from the Blocker Shareholders, in each case at a price per LLC Unit or share, as applicable equal to the public offering price per share of Class A common stock in this offering, less the underwriting discount;

- approximately $25.4 million to pay incentive bonuses to certain employees pursuant to the IBAs, as further described in "*Executive and Director Compensation—Incentive Bonus Agreements*";

- approximately $101.7 million to fund the tax withholding and remittance obligations related to the IBAs, as further described in "*Executive and Director Compensation—Incentive Bonus Agreements*." The tax withholding and remittance obligation amount assumes that the consummation of this offering had occurred on June 30, 2019, assumes all eligible employees elect to have their tax obligations withheld at maximum statutory rates, which will result in an average withholding rate of approximately 39.4%, and does not include any additional amounts that may be required to satisfy tax withholding and remittance obligations related to the settlement of additional Class A common stock that will be issued to certain employees following the consummation of this offering pursuant to the retention bonus component of the IBAs, as further described in "*Executive and Director Compensation—Incentive Bonus Agreements*";

- approximately $111.2 million to purchase and cancel LLC Units from the non-Series A Pre-IPO Investors pursuant to the terms of our 2018 Private Placement, as further described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—2018 Private Placement*";

- up to $43.4 million to fund a distribution to the non-Series A Pre-IPO Investors, which distribution will be payable upon determination of the outcome and amount payable, if any, in connection with an arbitration proceeding with Align, as further described in "*Dividend Policy*." Investors in this offering will not be entitled to any portion of this distribution; and

- approximately $357.1 million for general corporate purposes, which may include international expansion, innovation, research and development, and working capital. We have not yet determined the specific uses or amounts for any of these uses of the remaining proceeds.

If the net proceeds from this offering are greater than the estimated net proceeds set forth herein, we expect to use the additional proceeds to purchase and cancel additional LLC Units and shares of Class A common stock from Pre-IPO Investors at a price per LLC Unit or share of Class A common stock equal to the public offering price per share of Class A common stock in this offering, less the underwriting discount. If the net proceeds from this offering are less than the estimated net proceeds set forth herein, we expect to purchase and cancel fewer LLC Units and shares of Class A common stock from Pre-IPO Investors.

Pending specific application of the proceeds used for general corporate purposes, we expect to invest the balance of the proceeds primarily in short term, investment-grade, interest-bearing securities such as money market accounts, certificates of deposit, commercial paper and guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We currently intend to retain all available funds and future earnings, if any, to fund the development and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. We have no current plans to pay dividends on our Class A common stock. Any future determination to pay dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual, legal, tax and regulatory restrictions, general business conditions and other factors that our board of directors may deem relevant.

We are a holding company and will have no material assets other than our ownership of LLC Units. Our ability to pay cash dividends will depend on the payment of distributions by our current and future subsidiaries, including SDC Financial, SDC LLC and SDC Holding, and such distributions may be restricted as a result of regulatory restrictions, state law regarding distributions by a limited liability company to its members, or contractual agreements, including any future agreements governing their indebtedness. See "*Risk Factors—Risks Related to Our Common Stock and this Offering—We have no current plans to pay cash dividends on our Class A common stock; as a result, you may not receive any return on investment unless you sell your Class A common stock for a price greater than that which you paid for it.*" In addition, our ability to pay cash dividends may be restricted by the terms of any of our future debt financing arrangements, which may contain terms restricting or limiting the amount of dividends that may be declared or paid on our common stock.

Following this offering, we will receive a portion of any distributions made by SDC Financial. Any cash received from such distributions from our subsidiaries will first be used by us to satisfy any tax liability and then to make any payments required under the Tax Receivable Agreement. Subject to having available cash and subject to limitations imposed by applicable law and contractual restrictions (including pursuant to our debt instruments), the SDC Financial LLC Agreement requires SDC Financial to make certain distributions to SDC Inc. and the Continuing LLC Members, pro rata, to facilitate their payment of taxes with respect to the income of SDC Financial that is allocated to us and them. See "*Certain Relationships and Related Party Transactions—SDC Financial LLC Agreement*." To the extent that the tax distributions we receive exceed the amounts we actually require to pay taxes, Tax Receivable Agreement payments, and other expenses, we will not be required to distribute such excess cash. Our board of directors may, in its sole discretion, choose to use such excess cash for any purpose, including (i) to make additional distributions to the holders of our Class A common stock, (ii) to acquire additional newly issued LLC Units, and/or (iii) to repurchase outstanding shares of our Class A common stock. If we acquire additional LLC Units from SDC Financial, we anticipate that, to maintain the one-to-one relationship between the shares of Class A common stock and the LLC Units, either (i) our board of directors will at that time declare a stock dividend on the Class A common stock of an aggregate number of additional newly issued shares that corresponds to the number of additional LLC Units being acquired or (ii) SDC, Inc. will effect a reverse split of the LLC Units. If SDC, Inc. uses the excess cash to repurchase outstanding shares of its Class A common stock, we anticipate that it will either (x) declare a split of the Class A common stock of SDC, Inc. to increase the number of shares of Class A common stock outstanding to equal the number of LLC Units held by SDC Inc. or (y) declare a reverse split of all outstanding LLC Units to reduce the number of LLC Units held by SDC Inc. to equal the number of shares of Class A common stock outstanding following such repurchase. The reverse split would also ratably decrease the number of LLC Units held by the Continuing LLC Members. The same proportionate ownership of LLC Units would be maintained among SDC Inc. and the Continuing LLC Members following the applicable split or reverse split. The determination of what amount of cash held by SDC, Inc. (if any), warrants a cash distribution or a purchase of LLC Units will depend upon the facts and circumstances at the time of determination.

On August 29, 2019, SDC Financial declared a distribution of $43.4 million less any amount determined to be due and payable to Align in connection with a current arbitration proceeding with Align (as further described in "*Our Business—Legal Proceedings*") to the non-Series A Pre-IPO Investors. Such distribution will be paid after the consummation of this offering upon final determination of the outcome and amount payable, if any, in connection with the arbitration. Investors in this offering will not be entitled to any portion of this distribution.

CAPITALIZATION

The following table sets forth our cash, cash equivalents and capitalization as of June 30, 2019:

- on a historical basis for SDC Financial; and
- a pro forma basis for SDC Inc., giving effect to the transactions and other matters described under "*Unaudited Consolidated Pro Forma Financial Information*," including the Reorganization Transactions, and application of the proceeds from this offering as described in "*Use of Proceeds*" based upon an assumed initial public offering price of $20.50 per share of Class A common stock, which is the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses and other related transaction costs payable by us.

You should read this table, together with the information contained in this prospectus, including "*Organizational Structure*," "*Use of Proceeds*," "*Unaudited Consolidated Pro Forma Financial Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and the historical financial statements and related notes included elsewhere in this prospectus.

(in thousands)	June 30, 2019	
	Actual	Pro Forma
	(unaudited)	
Cash	$ 149,088	$ 506,170
Debt:		
Revolving Credit Facility	151,300	151,300
Total debt	204,966	204,966
Redeemable Series A Preferred Units	425,188	—
Members'/Stockholders' equity (deficit):		
Members' equity (deficit)	(226,320)	—
Preferred Stock, $0.0001 par value per share: 100,000,000 shares authorized, no shares issued and outstanding on a pro forma basis	—	—
Warrants	315	315
Class A common stock, $0.0001 par value per share: 2,000,000,000 shares authorized on a pro forma basis; 104,825,858 shares issued and outstanding on a pro forma basis	—	10
Class B common stock, par value $0.0001 per share: 500,000,000 shares authorized on a pro forma basis; 281,863,766 shares issued and outstanding on a pro forma basis		28
Additional paid-in capital	—	883,266
Accumulated deficit		(164,625)
Non-controlling interest	—	(164,988)
Total members'/stockholders' equity (deficit)	(226,005)	554,006
Total capitalization	$ 404,149	$ 758,972

Each $1.00 increase or decrease in the initial public offering price per share of Class A common stock from the midpoint of the estimated price range set forth on the cover page of this prospectus would increase or decrease the paid-in capital and total equity (deficit) by approximately $55.1 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. Each 1,000,000 increase or decrease in the number of shares of Class A common stock issued and sold at the midpoint of the estimated price range set forth on the cover of this prospectus would increase or decrease the paid-in capital and total equity (deficit) by approximately $19.3 million.

DILUTION

If you invest in the initial public offering of our Class A common stock, your interest will be diluted to the extent of the excess of the initial public offering price per share of our Class A common stock over the pro forma net tangible book value per share of our Class A common stock after this offering. Dilution results from the fact that the per share offering price of the Class A common stock is substantially in excess of the net tangible book value per share attributable to the existing equity holders.

Our pro forma net tangible book value at June 30, 2019 was approximately $183.1 million. Pro forma net tangible book value represents the amount of total tangible assets less total liabilities of SDC Financial, after giving effect to the Reorganization Transactions, and pro forma net tangible book value per share represents pro forma net tangible book value divided by the number of shares of Class A common stock outstanding, after giving effect to the Reorganization Transactions and assuming that all of the Continuing LLC Members exchanged their LLC Units (with automatic cancellation of an equal number of shares of Class B common stock) for newly issued shares of our Class A common stock on a one-for-one basis.

After giving effect to this offering, at an assumed initial public offering price of $20.50 per share of Class A common stock, which is the midpoint of the estimated price range set forth on the cover page of this prospectus, and the application of estimated net proceeds, as described under "*Use of Proceeds*," after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book value at June 30, 2019 would have been $537.9 million or $1.39 per share of Class A common stock, assuming that all of the Continuing LLC Members exchanged their LLC Units (with automatic cancellation of an equal number of shares of Class B common stock) for newly issued shares of our Class A common stock on a one-for-one basis.

The following table illustrates the immediate dilution of $19.11 per share to new stockholders purchasing Class A common stock in this offering, assuming the underwriters do not exercise their option to purchase additional shares of Class A common stock.

Assumed initial public offering price per share of Class A common stock		$ 20.50
Pro forma net tangible book value per share of Class A common stock as of June 30, 2019	$ 0.52	
Increase per share of Class A common stock attributable to this offering	0.87	
Pro forma net tangible book value per share of Class A common stock, as adjusted to give effect to this offering		1.39
Dilution in pro forma net tangible book value per share of Class A common stock to new investors		$ 19.11

Each $1.00 increase or decrease in the initial public offering price per share of Class A common stock from the midpoint of the estimated price range set forth on the cover page of this prospectus would increase or decrease our pro forma net tangible book value, as adjusted to give effect to this offering, by $48.9 million, or $0.13 per share of Class A common stock, assuming that the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters' option to purchase additional shares of Class A common stock is exercised in full, the increase in pro forma net tangible book value per share of Class A common stock at June 30, 2019, attributable to this offering would have been approximately $0.84 per share and the dilution in pro forma net tangible book value per share of Class A common stock to new investors would be $19.14 per share. Furthermore, the percentage of our shares of Class A common stock held by Pre-IPO Investors would decrease to approximately 11.7% and the percentage of our shares of Class A common stock held by new investors would decrease to approximately 17.4%, assuming that all of the Continuing LLC Members

exchanged their LLC Units (with automatic cancellation of an equal number of shares of Class B common stock) for newly issued shares of our Class A common stock on a one-for-one basis.

The following table summarizes, on the same pro forma basis at June 30, 2019, the total number of shares of Class A common stock purchased from us, the total cash consideration paid to us, and the average price per share of Class A common stock paid by the Pre-IPO Investors and by new investors purchasing shares of Class A common stock in this offering, assuming that all of the Continuing LLC Members exchanged their LLC Units (with automatic cancellation of an equal number of shares of Class B common stock) for newly issued shares of our Class A common stock on a one-for-one basis.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	328,152,624	85%	$ 441,955,169	27%	$ 1.35
New investors	58,537,000	15%	$ 1,200,008,500	73%	$ 20.50
Total	386,689,624	100%	1,641,963,669	100%	

Each $1.00 increase or decrease in the initial public offering price per share of Class A common stock from the midpoint of the estimated price range set forth on the cover page of this prospectus would increase or decrease total consideration paid by new investors in this offering and total consideration paid by all investors by approximately $58.5 million, assuming that the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same. Each 1,000,000 increase or decrease in the number of shares of Class A common stock issued and sold at the midpoint of the estimated price range set forth on the cover of this prospectus would increase or decrease the total consideration paid by new investors in this offering and total consideration paid by all investors by approximately $20.5 million.

Each $1.00 increase in the initial offering price per share of Class A common stock from the midpoint of the estimated price range set forth on the cover page of this prospectus would decrease the total number of shares of Class A common stock outstanding by 58,152 shares and the total number of shares of Class B common stock outstanding, by 795,155 shares, in each case, after the Reorganization Transactions and this offering and the use of proceeds therefrom.

Each $1.00 decrease in the initial offering price per share of Class A common stock from the midpoint of the estimated price range set forth on the cover page of this prospectus would increase the total number of shares of Class A common stock outstanding by 58,152 shares and the total number of shares of Class B common stock outstanding, by 795,155 shares, in each case, after the Reorganization Transactions and this offering and the use of proceeds therefrom.

Each 1,000,000 increase in the number of shares of Class A common stock issued and sold at the midpoint of the estimated price range set forth on the cover page of this prospectus would increase the total number of shares of Class A common stock outstanding by 903,481 shares and decrease the total number of shares of Class B common stock outstanding, by 734,916 shares, in each case, after the Reorganization Transactions and this offering and the use of proceeds therefrom.

The information presented above does not reflect outstanding Warrants to purchase 1,475,071 LLC Units which, if exercised, would have a de minimis dilutive effect. After the consummation of this offering, no new shares of Class B common stock will be issued, other than upon exercise of the Warrants. See Note 10 to our consolidated financial statements included elsewhere in this prospectus for more information on the Warrants.

The information above excludes a number shares of our Class A common stock reserved for issuance under our Omnibus Plan and SPP equal to the greater of 55,412,074 or 11.5% of the authorized, issued, and outstanding shares of Class A common stock as of the consummation of this offering. To the extent that equity awards are issued under our incentive plan, investors participating in this offering will experience further dilution.

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA

The following tables set forth selected historical consolidated financial data of SDC Financial at the dates and for the periods indicated. SDC Financial is considered our predecessor for accounting purposes, and its historical consolidated financial statements will be our historical consolidated financial statements following this offering. The statements of operations data for the years ended December 31, 2018 and 2017, and balance sheet data as of December 31, 2018 and 2017, are derived from the audited consolidated financial statements of SDC Financial and related notes included elsewhere in this prospectus. The condensed consolidated statements of operations data for the six months ended June 30, 2019 and 2018, and balance sheet data as of June 30, 2019, are derived from the unaudited condensed consolidated financial statements of SDC Financial and related notes included elsewhere in this prospectus. The summary historical financial data of SDC Inc. has not been presented because SDC Inc. is a newly incorporated entity and has not engaged in any business or other activities except in connection with its formation and initial capitalization.

The following selected historical consolidated financial data is qualified in its entirety by reference to, and should be read in conjunction with, our audited consolidated financial statements and related notes, and the information under "*Unaudited Consolidated Pro Forma Financial Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and other financial information included in this prospectus. Historical results included below and elsewhere in this prospectus are not necessarily indicative of our future performance.

(in thousands)	Six months ended June 30,		Years ended December 31,	
	2019	2018	2018	2017
	(unaudited)			
Statements of Operations Data:				
Total revenues	$ 373,530	$ 175,064	$ 423,234	$ 145,954
Cost of revenues	83,580	60,377	133,968	64,011
Gross profit	289,950	114,687	289,266	81,943
Marketing and selling expenses	209,146	86,457	213,080	64,243
General and administrative expenses	96,490	47,301	121,743	48,202
Loss from operations	(15,686)	(19,071)	(45,557)	(30,502)
Total interest expense	7,391	5,884	13,705	2,148
Loss on extinguishment of debt	29,640	—	—	—
Other expense	81	8,642	15,148	—
Net loss before provision for income tax expense	(52,798)	(33,597)	(74,410)	(32,650)
Provision for income tax expense	117	209	361	128
Net loss	$ (52,915)	$ (33,806)	$ (74,771)	$ (32,778)
Other Data:				
Adjusted EBITDA(a)	$ 2,299	$ (8,464)	$ (16,857)	$ (21,129)

(a) For the definition of the non-GAAP financial measure of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to our most directly comparable financial measure calculated in accordance with GAAP, please read "*—Non-GAAP Financial Measures*."

(in thousands)	As of June 30, 2019 (unaudited)	As of December 31, 2018	2017
Balance Sheet Data:			
Cash	$ 149,088	$ 313,929	$ 4,071
Accounts receivable	181,806	113,934	33,741
Inventories	13,749	8,781	2,723
Prepaid and other current assets	11,554	5,782	2,378
Total current assets	356,197	442,426	42,913
Accounts receivable, non-current	93,283	60,217	11,600
Property, plant and equipment, net	86,770	52,551	11,893
Other assets	6,269	—	—
Total assets	**$ 542,519**	**$ 555,194**	**$ 66,406**
Accounts payable	$ 49,805	$ 25,250	$ 7,916
Accrued liabilities	63,728	34,939	13,944
Due to related parties	3,443	20,305	14,721
Deferred revenue	20,788	19,059	12,437
Current portion of long-term debt	33,488	17,920	15,270
Total current liabilities	171,252	117,473	64,288
Long term debt, net of current portion	171,478	138,922	35,397
Other long term liabilities	606	602	575
Total liabilities	343,336	256,997	100,260
Commitments and contingencies			
Redeemable Series A Preferred Units	425,188	388,634	—
Members' deficit	(226,320)	(89,321)	(32,759)
Unitholder advance	—	(1,431)	(1,410)
Warrants	315	315	315
Total members' deficit	(226,005)	(90,437)	(33,854)
Total liabilities, Redeemable Series A Preferred Units and members' deficit	**$ 542,519**	**$ 555,194**	**$ 66,406**

Non-GAAP Financial Measures

To supplement our consolidated financial statements presented in accordance with GAAP, we also present Adjusted EBITDA, a financial measure which is not based on any standardized methodology prescribed by GAAP.

We define Adjusted EBITDA as net loss before provision for income tax expense, interest expense, depreciation and amortization, and loss on disposal of property, plant and equipment, adjusted to remove derivative fair value adjustments, loss on extinguishment of debt, foreign currency adjustments, and equity-based compensation. Adjusted EBITDA does not have a definition under GAAP, and our definition of Adjusted EBITDA may not be the same as, or comparable to, similarly titled measures used by other companies.

We use Adjusted EBITDA when evaluating our performance when we believe that certain items are not indicative of operating performance. Adjusted EBITDA provides useful supplemental information to management regarding our operating performance and we believe it will provide the same to stockholders.

We believe that Adjusted EBITDA will provide useful information to stockholders about our performance, financial condition, and results of operations for the following reasons: (i) Adjusted EBITDA would be among the measures used by our management team to evaluate our operating performance and make day-to-day operating decisions and (ii) Adjusted EBITDA is frequently used by securities analysts, investors, lenders, and other interested parties as a common performance measures to compare results or estimate valuations across companies in our industry.

Adjusted EBITDA should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. There are a number of limitations related to the use of Adjusted EBITDA rather than net loss, the most directly comparable GAAP financial measure, including:

- Adjusted EBITDA does not reflect changes in, or cash requirements for working capital needs;
- Adjusted EBITDA does not reflect interest expense or the cash requirements necessary to service interest or principal payments on indebtedness;
- Adjusted EBITDA does not reflect provision for income tax expense or the cash requirements to pay taxes;
- Adjusted EBITDA does not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect the impact on earnings or changes resulting from matters that are considered not to be indicative of our future operations;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA includes financing income, but not the interest expense to carry the related receivables; and
- other companies in our industry may calculate Adjusted EBITDA differently, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered as discretionary cash available to us to reinvest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. You should consider Adjusted EBITDA alongside other financial measures, including net loss and our other financial results, presented in accordance with GAAP.

A reconciliation of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure, is set forth below:

(in thousands)	Six months ended June 30,		Years ended December 31,	
	2019	2018	2018	2017
	(unaudited)			
Net loss	$ (52,915)	$ (33,806)	$ (74,771)	$ (32,778)
Depreciation and amortization	9,723	2,735	8,861	2,513
Total interest expense	7,391	5,884	13,705	2,148
Income tax expense	117	209	361	128
Loss on disposal of property, plant and equipment	—	—	617	—
Fair value adjustment of warrant derivative	—	8,624	14,500	—
Loss on extinguishment of debt	29,640	—	—	—
Equity-based compensation	8,262	7,872	19,839	6,860
Other	81	18	31	—
Adjusted EBITDA	$ 2,299	$ (8,464)	$ (16,857)	$ (21,129)

UNAUDITED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION

The unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2019 and the unaudited Pro Forma Condensed Consolidated Statements of Operations for the six months ended June 30, 2019 and the year ended December 31, 2018 present our financial position and results of operations after giving pro forma effect to:

(i) The Reorganization Transactions and this offering, as described under "*Organizational Structure*," as if such transactions occurred on June 30, 2019 for the unaudited Pro Forma Condensed Consolidated Balance Sheet and on January 1, 2018 for the unaudited Pro Forma Condensed Consolidated Statements of Operations;

(ii) The use of the estimated net proceeds from this offering, as described under "*Use of Proceeds*";

(iii) The effects of the Tax Receivable Agreement, as described under "C*ertain Relationships and Related Party Transactions—Tax Receivable Agreement*."

The historical consolidated financial information has been derived from SDC Financial's consolidated financial statements and accompanying notes included elsewhere in this prospectus and has been adjusted in the unaudited pro forma condensed consolidated financial statements to give effect to pro forma events that are (1) directly attributable to the transactions, (2) factually supportable, and (3) with respect to the statements of operations, expected to have a continuing impact on the results of operations. These amounts have been determined assuming no exercise by the underwriters of their option to purchase additional shares of Class A common stock. The unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2019 and the unaudited Pro Forma Condensed Consolidated Statements of Operations for the six months ended June 30, 2019 and the year ended December 31, 2018 are included elsewhere in this prospectus.

The unaudited pro forma condensed consolidated financial statements have been prepared on the basis that we will be taxed as a corporation for U.S. federal and state income tax purposes and, accordingly, will become a taxpaying entity subject to U.S. federal and state income taxes. The following unaudited pro forma condensed consolidated financial information is qualified in its entirety by reference to, and should be read in conjunction with, our historical consolidated financial statements and related notes, and the information under "*Selected Consolidated Historical Financial Data*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and other financial information included in this prospectus.

The pro forma adjustments are prepared in accordance with Article 11 of Regulation S-X and are based on currently available information and certain estimates and assumptions. Therefore, the actual adjustments may differ from the pro forma adjustments. Assumptions and estimates underlying the unaudited pro forma adjustments are described in the accompanying notes, which should be read in connection with the unaudited pro forma financial statements. The unaudited pro forma condensed consolidated financial statements are not necessarily indicative of financial results that would have been attained had the described transactions occurred on the dates indicated above or that could be achieved in the future. However, management believes that the assumptions provide a reasonable basis for presenting the significant effects of the transactions as contemplated and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed consolidated financial statements. As a public company, we will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. We expect to incur additional annual expenses related to these steps and, among other things, additional directors' and officers' liability insurance, director fees, reporting requirements of the SEC, transfer agent fees, hiring additional accounting, legal and administrative personnel, increased auditing,

and legal fees, and similar expenses. We have not included any pro forma adjustments relating to these costs.

The unaudited pro forma condensed consolidated financial statements and related notes are included for informational purposes only and do not purport to reflect the financial position or results of operations of SDC Inc. that would have occurred had SDC Inc. been in existence or operated as a public company or otherwise during the periods presented. If this offering and other transactions contemplated herein had occurred in the past, our operating results might have been materially different from those presented in the unaudited condensed consolidated pro forma financial statements. The unaudited pro forma condensed consolidated financial statements should not be relied upon as being indicative of our financial position or results of operations had the described transactions occurred on the dates assumed. The unaudited pro forma condensed consolidated financial information also does not project our financial position or results of operations for any future period or date. Future results may vary significantly from the results reflected in the unaudited Pro Forma Condensed Consolidated Statements of Operations and should not be relied on as an indication of our results after the consummation of this offering and the other transactions contemplated by such unaudited pro forma condensed consolidated financial statements.

As described in greater detail under "*Certain Relationships and Related Party Transactions—Tax Receivable Agreement*," in connection with the consummation of this offering, we and SDC Financial will enter into the Tax Receivable Agreement, pursuant to which we will agree to pay the Continuing LLC Members 85% of the cash savings, if any, in U.S. federal, state, and local income tax or franchise tax that we actually realize as a result of (a) the increases in tax basis attributable to exchanges by Continuing LLC Members and (b) tax benefits related to imputed interest deemed to be paid by us as a result of the Tax Receivable Agreement. We expect to benefit from the remaining 15% of cash savings, if any, that we realize. Due to the uncertainty in the amount and timing of future exchanges of LLC Units by the Continuing LLC Members, the unaudited pro forma consolidated financial information assumes that no exchanges of LLC Units have occurred and therefore no increases in tax basis in SDC Financial's assets or other tax benefits that may be realized thereunder have been assumed in the unaudited pro forma consolidated financial information. However, if all of the Continuing LLC Members were to exchange their LLC Units, we would recognize a deferred tax asset of approximately $1,933.3 million and a liability of approximately $1,643.3 million, assuming (i) all exchanges occurred on the same day; (ii) a price of $20.50 per share (the midpoint of the price range set forth on the cover page of this prospectus); (iii) a constant corporate tax rate of 25.2%; (iv) we will have sufficient taxable income to fully utilize the tax benefits in the year the related tax deduction arises; and (v) no material changes in tax law. For each 5% increase (decrease) in the amount of LLC Units exchanged by the Continuing LLC Members, our deferred tax asset would increase (decrease) by approximately $96.7 million and the related liability would increase (decrease) by approximately $82.2 million, assuming that the price per share and corporate tax rate remain the same. For each $1.00 increase (decrease) in the assumed share price of $20.50 per share, our deferred tax asset would increase (decrease) by approximately $87.1 million and the related liability would increase (decrease) by approximately $74.0 million, assuming that the number of LLC Units exchanged by the Continuing LLC Members and the corporate tax rate remain the same. These amounts are estimates and have been prepared for informational purposes only. The actual amount of deferred tax assets and related

liabilities that we will recognize will differ based on, among other things, the timing of the exchanges, the price of our shares of Class A common stock at the time of the exchange, and the tax rates then in effect.

(unaudited) (in thousands)	As of June 30, 2019 Historical SDF Financial	Pro Forma Adjustments		Pro Forma SDC Inc.
Balance Sheet Data:				
Cash	$ 149,088	$ 357,082	(5)	$ 506,170
Accounts receivable	181,806	—		181,806
Inventories	13,749	—		13,749
Prepaid and other current assets	11,554	(2,260)	(7)	9,294
Total current assets	356,197	354,823		711,020
Accounts receivable, non-current	93,283	—		93,283
Property, plant and equipment, net	86,770	—		86,770
Other assets	6,269	—		6,269
Total assets	$ 542,519	$ 354,823		$ 897,342
Accounts payable	$ 49,805	$ —		$ 49,805
Accrued liabilities	63,728	—		63,728
Due to related parties	3,443	—		3,443
Deferred revenue	20,788	—		20,788
Current portion of long-term debt	33,488	—		33,488
Total current liabilities	171,252	—		171,252
Long term debt, net of current portion	171,478	—		171,478
Other long term liabilities	606	—		606
Total liabilities	343,336	—		343,336
Commitments and contingencies				
Redeemable Series A Preferred Units	425,188	(425,188)	(2)	—
Members' deficit	(226,320)	226,320	(3),(4)	—
Unitholder advance	—	—		—
Warrants	315	—		315
Class A common stock	—	10	(2),(5),(6)	10
Class B common stock	—	28	(3)	28
Additional paid-in-capital	—	883,266	(8)	883,266
Accumulated deficit	—	(164,625)	(6)	(164,625)
Non-controlling interest	—	(164,988)	(4)	(164,988)
Total members'/stockholders' deficit	(226,005)	780,011		554,006
Total liabilities, Redeemable Series A Preferred Units and members'/ stockholders' deficit	$ 542,519	$ 354,823		$ 897,342

(1) SDC Inc. was formed on April 11, 2019 and has not commenced operations and will have no material assets or liabilities until the completion of this offering and therefore its historical financial position is not shown in a separate column in this unaudited Pro Forma Condensed Consolidated Balance Sheet.

(2) In connection with this offering the Redeemable Series A Preferred Units will be recapitalized and converted into common LLC Interests in SDC Financial. As a result no Redeemable Series A Preferred Units will be outstanding following the offering.

(3) In connection with this offering, we will issue 281,863,766 shares of Class B common stock to the Continuing LLC Members, on a one-to-one basis with the number of LLC Units they own, for nominal consideration. Each share of Class A common stock initially entitles its holder to one vote on all matters to be voted on by stockholders generally. Each share of Class B common

stock initially entitles its holder to ten votes on all matters to be voted on by stockholders generally. Holders of the Class B common stock will not be entitled to receive any distributions from or participate in any dividends declared by our board of directors.

(4) As a result of the Reorganization Transactions, we will hold a significant equity interest in SDC Financial and will be the managing member of SDC Financial. Accordingly, we will operate and control all of the business and affairs of SDC Financial and, through SDC Financial and its operating subsidiaries, conduct SmileDirectClub's business. As a result, we will consolidate the financial results of SDC Financial and will report a non-controlling interest related to the LLC Units held by the Continuing LLC Members on our consolidated balance sheet. The computation of the non-controlling interest following the consummation of this offering, based on the assumed initial public offering price, is as follows:

	Units	Percentage
Interest in SDC Financial held by SDC Inc.	104,825,858	27.1%
Non-controlling interest in SDC Financial held by Continuing LLC Members	281,863,766	72.9%
Total	386,689,624	100.0%

Following the consummation of this offering, the LLC Units held by the Continuing LLC Members, representing the non-controlling interest, will be redeemable at the election of the members, for, at our option, shares of Class A common stock on a one-for-one basis or a cash payment equal to the average of the daily market price of one share of Class A common stock for each LLC Unit redeemed (subject to customary adjustments, including for stock splits, stock dividends, and reclassifications) in accordance with the terms of the SDC Financial LLC Agreement.

The following table includes a reconciliation of the impact of this adjustment to non-controlling interest:

Members' deficit	$ (226,320)
Issuance of Class B common stock at par value	(28)
Total Members' deficit	(226,348)
Percentage of non-controlling interest	72.9%
Adjustment to non-controlling interest	$ (164,988)

(5) We estimate that the net proceeds to us from this offering, after deducting underwriting discounts, commissions, and estimated offering expenses will be approximately $1,132 million, based on an assumed initial public offering price of $20.50 per share, which is the midpoint of the price range set forth on the cover page of this prospectus. A reconciliation of the gross proceeds from this offering to the net cash proceeds is set forth below.

(dollars in thousands, except per share amounts)	
Assumed initial public offering price per share	$ 20.50
Shares of Class A common stock issued in this offering	58,537
Gross Proceeds	$ 1,200,009
Less: underwriting discounts, commissions and offering expenses (less amounts deferred)(3)	67,741
Net cash proceeds	$ 1,132,268
Less: amounts paid to purchase and cancel Class A shares from Pre-IPO Investors	57,280
Less: amounts paid to purchase and cancel LLC Units	436,143
Less: amounts paid to holders of IBAs	25,433
Less: amounts paid to fund tax withholding obligations related to IBAs	101,733
Less: amounts paid to repurchase LLC Units of non-Series A Pre-IPO Investors of SDC Financial	111,194
Less: distributions to non-Series A Pre-IPO Investors of SDC Financial	43,403
Total	$ 357,082

(6) This adjustment represents the total increase in stockholders' equity we expect to incur following the completion of this offering as a result of the following:

- $291.2 million of compensation expense to be recognized in connection with the partial settlement of outstanding IBAs. As described in "*Organizational Structure*," the holders of IBAs will receive 8,002,911 shares of Class A common stock and $127.2 million (including taxes) in cash as settlement of the vested portion of their IBAs upon consummation of this offering. The related compensation expense has been measured at fair value as of the IBAs' modification date and approximates the IPO value. The remaining unrecognized compensation expense of $65.6 million associated with the unvested portion of the IBAs will be recognized over a period of 24-48 months following the consummation of this offering. The adjustment was calculated assuming an initial public offering price of $20.50 per share (the midpoint of the price range set forth on the cover page of this prospectus), resulting in the IPO price of $1,200 million, which was divided by the total Class A common stock outstanding as of September 3, 2019 of, resulting in a price per unit of $11.45; and

- $0.6 million of compensation expense to be recognized in connection with the accelerated vesting of the outstanding Incentive Units in connection with this offering. The related compensation expense has been measured at fair value as of the Incentive Units' modification date and approximates the IPO value. The adjustment was calculated assuming an initial public offering price of $20.50 per share (the midpoint of the price range set forth on the cover page of this prospectus), resulting in the IPO price of $1,200 million, which was divided by the total Class A common stock outstanding as of September 3, 2019 of, resulting in a price per unit of $11.45.

The following table includes a reconciliation of the impact of this adjustment to accumulated deficit:

Compensation expense associated with vested IBAs	$ 164,060
Compensation expense associated with vested Incentive Units	565
Adjustment to accumulated deficit	$ 164,625

(7) We are deferring certain costs associated with this offering, including certain legal, accounting, and other related expenses, which have been recorded in other assets on our consolidated balance sheet. Upon completion of this offering, these deferred costs will be charged against the proceeds from this offering with a corresponding reduction to additional paid-in capital.

(8) The following table is a reconciliation of the adjustments impacting additional paid-in-capital:

		Note
Recapitalization of Redeemable Series A Preferred Units	$ 425,188	2
Controlling interest	(61,360)	4
Use of Proceeds	357,082	5
Stock-based compensation	164,625	6
Deferred costs	(2,270)	7
Adjustment to additional paid in capital	$ 883,266	

These adjustments are non-recurring in nature and, as such, have not been included as adjustments in the unaudited Pro Forma Condensed Consolidated Statements of Operations.

(unaudited) (dollars in thousands, except share related amounts)	Six months ended June 30, 2019 Historical SDC Financial	Pro Forma Adjustments		Pro Forma SDC Inc.
Statements of Operations Data:				
Total revenues	$ 373,530	$ —		$ 373,530
Cost of revenues	83,580	—		83,580
Gross profit	289,950	—		289,950
Marketing and selling expenses	209,146	—		209,146
General and administrative expenses	96,490	15,274	(2)	111,764
Loss from operations	(15,686)	(15,274)		(30,960)
Total interest expense	7,391	—		7,391
Loss on extinguishment of debt	29,640	—		29,640
Other expense	81	—		81
Net loss before provision for income tax expense (benefit)	(52,798)	(15,274)		(68,072)
Provision for income tax expense (benefit)	117	—	(3)	117
Net loss	$ (52,915)	(15,274)		$ (68,189)
Net loss attributable to non-controlling interest	—	$ (49,704)	(4)	$ (49,704)
Net loss attributable to SDC Inc.	$ (52,915)	$ 34,430		$ (18,485)
Per Share Data:				
Pro forma net loss per share:				
Basic			(5)	$ (0.18)
Diluted			(5)	$ (0.18)
Pro forma weighted-average shares used to compute net loss per share:				
Basic			(5)	104,825,858
Diluted			(5)	386,689,624

(unaudited) (dollars in thousands, except share related amounts)	Year ended December 31, 2018 Historical SDC Financial	Pro Forma Adjustments		Pro Forma SDC Inc.
Statements of Operations Data:				
Total revenues	$ 423,234	$ —		$ 423,234
Cost of revenues	133,968	—		133,968
Gross profit	289,266	—		289,266
Marketing and selling expenses	213,080	—		213,080
General and administrative expenses	121,743	46,081	(2)	167,824
Loss from operations	(45,557)	(46,081)		(91,638)
Total interest expense	13,705	—		13,705
Other expense	15,148	—		15,148
Net loss before provision for income tax expense (benefit)	(74,410)	(46,081)		(120,491)
Provision for income tax expense (benefit)	361	—	(3)	361
Net loss	$ (74,771)	$ (46,081)		$ (120,852)
Net loss attributable to non-controlling interest		$ (88,091)	(4)	$ (88,091)
Net loss attributable to SDC Inc.	$ (74,771)	$ 42,010		$ (32,761)
Per Share Data:				
Pro forma net loss per share:				
Basic			(5)	$ (0.31)
Diluted			(5)	$ (0.31)
Pro forma weighted-average shares used to compute net loss per share:				
Basic			(5)	104,825,858
Diluted			(5)	386,689,624

(1) SDC Inc. was formed on April 11, 2019 and has not commenced operations and will have no material assets or liabilities until the completion of this offering and therefore its historical financial operations are not shown in a separate column in these unaudited Pro Forma Condensed Consolidated Statements of Operations.

(2) This adjustment relates to the compensation expense we expect to incur following the completion of this offering which relates to the following two components:

a) the remaining unvested portion of the IBAs (3.2 million shares based on the midpoint of the price range set forth on the cover page of this prospectus), which will be recognized over a period of 24-48 months following the consummation of the IPO; and

b) the grant of 1,975,610 stock options and 658,537 restricted stock units ("RSUs") to certain employees we expect to make in connection with this offering. This amount was calculated assuming the stock options and RSUs were granted on January 1, 2018 at an exercise price equal to $20.50 per share, the assumed initial public offering price. The grant date fair value of the stock options was determined using the Black-Scholes valuation model using the following assumptions:

Expected volatility	45%
Expected dividend yield	0%
Expected term (in years)	6.5
Risk-free interest rate	2.4%

(3) SDC Financial has been, and will continue to be, treated as a partnership for U.S. federal and state income tax purposes. As such, income generated by SDC Financial will flow through to its partners, including us, and is generally not subject to tax at the SDC Financial level. Following the Reorganization Transactions, we will be subject to U.S. federal income taxes, in addition to state, local, and foreign income taxes with respect to our allocable share of any taxable income of SDC Financial. Given the historical losses of SDC Financial, the deferred tax assets carry a full valuation allowance, and as such, the effective tax rate following the consummation of this offering is expected to be 0%. We will continue to assess the realizability of the deferred tax assets each reporting period.

(4) As a result of the Reorganization Transactions, we will hold a significant equity interest in SDC Financial and will be the managing member of SDC Financial. Accordingly, we will operate and control all of the business and affairs of SDC Financial and, through SDC Financial and its operating subsidiaries, conduct SmileDirectClub's business. As a result, we will consolidate the financial results of SDC Financial and will report net loss attributable to non-controlling interest related to the LLC Units held by the Continuing LLC Members on our consolidated statement of operations. We will own 27.1% of the economic interest of SDC Financial and the Continuing LLC Members will own the remaining 72.9% of the economic interest of SDC Financial, LLC. Net loss attributable to non-controlling interests will represent 72.9% of the income before income taxes of SDC Inc.

(5) Pro forma basic net loss per share is computed by dividing the net income available to Class A common stockholders by the weighted-average shares of Class A common stock outstanding during the period. Pro forma diluted net income per share is computed by adjusting the net loss available to Class A common stockholders and the weighted-average shares of Class A common stock outstanding to give effect to potentially dilutive securities. Shares of our Class B common stock are not entitled to receive any distributions or dividends and are therefore not included in the computation of pro forma basic or diluted net loss per share. Diluted per share data excludes Warrants to purchase 1,475,071 LLC Units.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this prospectus. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in any forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in "Risk Factors." See "Cautionary Statement Regarding Forward-Looking Statements."

SDC Financial is considered the predecessor of SDC Inc. for accounting purposes, and its historical consolidated financial statements will be our historical consolidated financial statements following this offering. The following discussion should be read in conjunction with the audited consolidated financial statements of SDC Financial and related notes thereto included elsewhere in this prospectus.

Overview and History

We are the industry pioneer as the first direct-to-consumer medtech platform for transforming smiles. Through our cutting-edge teledentistry technology and vertically integrated model, we are revolutionizing the oral care industry.

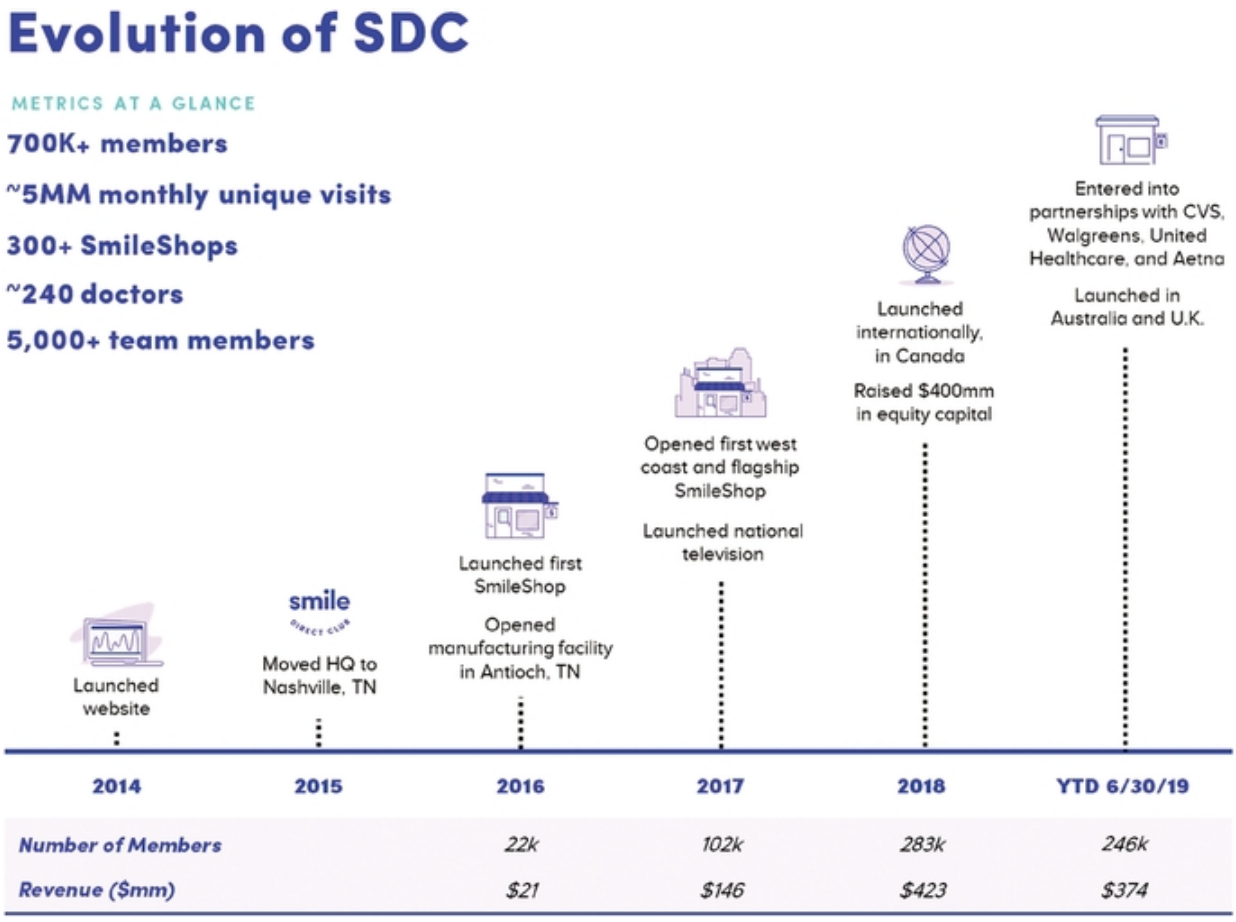
Our clear aligner treatment addresses the large and underserved global orthodontics market. Approximately 85% of people worldwide have malocclusion, with less than 1% treated annually. Our goal is to improve penetration into this untapped market by democratizing access to a more affordable, convenient, and accessible solution for a straighter smile. We believe we are the leading player in this early but massive opportunity. We believe that our aligner treatment can help over 90% of people with malocclusion, to some extent, to achieve a better smile.

The traditional orthodontic model, which includes both metal braces and clear aligner treatment delivered through in-office doctor visits, suffers from many limitations; it is cost-prohibitive for many people, requires multiple inconvenient in-person appointments, and is not widely accessible. Specifically, traditional orthodontic solutions typically cost $5,000–$8,000 or more, require a series of time-consuming visits during limited hours, and are available in less than 40% of the counties in the U.S. alone.

We offer professional-level service and high-quality clear aligners at a cost of $1,895, up to 60% less than traditional orthodontic solutions. We achieve this cost savings while maintaining high quality by removing the overhead cost of in-person doctor visits and managing the entire member experience, all the way from marketing to aligner manufacturing, fulfillment, and treatment monitoring by a member's doctor through completion of their treatment, which is supported by our proprietary teledentistry platform, SmileCheck. These efficiencies enable us to pass the cost savings directly to the members and allow doctors in our network to focus on what matters most: providing convenient access to excellent clinical care. To further democratize access to care, we offer our members the option of paying the entire cost of their treatment upfront or enrolling in our financing program, SmilePay, a convenient monthly payment plan. We also accept insurance and as of 2019, are in-network with United Healthcare and Aetna.

Our primary focus is on delivering an exceptional member experience. Our average net promoter score of 57 since inception, compared to an average net promoter score of 1 for the entire dental industry (according to West Monroe Partners), and our average rating of 4.9 out of 5 from over 100,000 member reviews on our website, demonstrate that our members are highly satisfied. Our highly positive member experience is the result of our vertically integrated model, which enables us to solve critical problems around cost, convenience, and access to care.

Since our founding in 2014, we have achieved several milestones, including the following:



Key Business Metrics

We review the following key business metrics to evaluate our business performance:

Unique aligner order shipments

For the years ended December 31, 2018 and 2017, we shipped 258,278 and 90,023 unique aligner orders, respectively, representing a growth of 187%. For the six months ended June 30, 2019, we shipped 231,941 unique aligner orders. Each unique aligner order shipment represents a single contracted member. We believe that our ability to increase the number of aligner orders shipped is an indicator of our market penetration, growth of our business, consumer interest, and our member conversion.

Average gross sale price

We define average gross sale price ("ASP") as gross revenue, before implicit price concession and other variable considerations and inclusive of sales tax, from aligner orders shipped divided by the number of unique aligner orders shipped. We believe ASP is an indicator of the value we provide to our members and our ability to maintain our pricing. Our ASP for the years ended December 31, 2018 and 2017 was $1,764 and $1,729, respectively. Our ASP for the six months ended June 30, 2019 was $1,764. Our ASP is less than our standard $1,895 price as a result of discounts offered to select members.

Key Factors Affecting Our Performance

We believe that our future performance will depend on many factors, including those described below and in the section titled "*Risk Factors*" included elsewhere in this prospectus.

Efficient acquisition of new members

- *Visits to our website:* On average, we have approximately five million unique visitors to our website each month, and we expect to continue to invest heavily in sales and marketing to spread awareness and increase the number of individuals visiting our website. We increase our marketing spend at certain periods of the year, such as January, when members typically have a higher focus on aesthetics.

- *Conversions from visits to aligner orders:* From our website, individuals can either sign up for a SmileShop appointment or order a doctor prescribed impression kit to evaluate and ultimately purchase our clear aligner treatment. We expect to continue to invest heavily in our proprietary technology platform, operations, and other processes to improve member conversion from website visit through SmileShop appointment booking, appointment attendance, and aligners ordered; and a similar process for our impression kits.

SmilePay

We offer SmilePay, a convenient monthly payment plan, to maximize accessibility and provide an affordable option for all of our members. The $250 down payment for SmilePay covers our cost of manufacturing the aligners, and the interest income generated by SmilePay helps offset the negative impact of delinquencies and cancellations. A number of factors affect delinquency and cancellation rates, including member-specific circumstances, our efforts in member service and management, and the broader macroeconomic environment.

Continued investment in growth

We intend to continue investing in our business to support future growth by focusing on strategies that best address our large market opportunity. Our key investment initiatives include increasing our marketing activities, expanding our footprint of SmileShops, enhancing our existing product platform, and introducing new products to further differentiate our offerings. Additionally, we intend to continue to develop a suite of ancillary products for our members' oral care needs, lengthening our relationship with our members and enhancing our recurring revenue base. As part of these key investment initiatives, we will also continue to explore collaborations with retailers and other third-party partnerships as a component of our expansion strategy.

International expansion

We will continue to make significant investments to expand our presence in international markets, particularly in Europe, Asia-Pacific, and other geographies.

Pace of adoption for teledentistry

The rate of adoption of teledentistry will impact our ability to acquire new members and grow our revenue.

Components of Operating Results

Revenues

Our revenues are derived primarily from sales of aligners, impression kits, whitening gel, and retainers. Revenues are recorded based on the amount that is expected to be collected, which considers implicit price concessions, discounts, and returns. Revenues includes revenue recognized from orders shipped in the current period, as well as deferred revenue recognized from orders in prior periods. We offer our members the option of paying the entire $1,895 cost of their treatment upfront or enrolling in SmilePay, our convenient monthly payment plan requiring a $250 down payment and an average monthly payment of $85 for 24 months.

Financing revenue includes interest earned on SmilePay aligner orders shipped in prior periods. Our average APR is approximately 17%, which is included in the $85 monthly payment.

Cost of revenues

Cost of revenues includes the total cost of products produced and sold. Such costs include direct materials, direct labor, overhead costs (occupancy costs, indirect labor, and depreciation costs associated with digital photography equipment), fees retained by doctors, freight and duty expenses associated with moving materials from vendors to our facilities and from our facilities to our members, and adjustments for shrinkage (physical inventory losses), lower of cost or net realizable value, slow moving product, and excess inventory quantities.

We manufacture all of our aligners and retainers in our manufacturing facilities. We have built extensive supply chain mechanisms that allow us to quickly and accurately create treatment plans and manufacture aligners at a lower cost than most competitors.

Marketing and selling expenses

Our marketing expenses include costs associated with an omni-channel approach supported by media mix modeling (MMM) and multitouch attribution modeling (MTA). These costs include online sources, such as social media and paid search, and offline sources, such as television, experiential events, local events, and business-to-business partnerships. We also have comprehensive strategies across search engine optimization, customer relationship management (CRM) marketing, and earned and owned marketing. We have invested significant resources into optimizing our member conversion process.

Our selling costs include both labor and non-labor expenses associated with our SmileShops and costs associated with our sales and scheduling teams in our customer contact center. Non-labor costs associated with our SmileShops include rent, travel, supplies, and depreciation costs associated with digital photography equipment, furniture, and computers, among other costs.

General and administrative expenses

General and administrative expenses include payroll and benefit costs for corporate team members, equity-based compensation expenses, occupancy costs of corporate facilities, bank charges, costs associated with credit and debit card interchange fees, outside service fees, and other administrative costs, such as computer maintenance, supplies, travel, and lodging.

Interest and other expenses

Interest expense includes interest from our financing agreements and other long-term indebtedness, including promissory notes to related parties. Other expense includes fair value adjustments on our derivative financial instruments, disposal of long-lived assets, and losses from the extinguishment of previous financing agreements.

Provision for income tax expense

We file our income tax returns as a partnership for federal and state tax purposes. As such, we do not pay any federal income taxes, as any income or loss will be included in the tax returns of our individual members. We do pay state income tax in certain jurisdictions, and our income tax provision in the consolidated financial statements reflects the income taxes for those states. After consummation of this offering, we will become subject to U.S. federal, state, and local income taxes with respect to our allocable share of any taxable income of SDC Financial, and we will be taxed at the prevailing corporate tax rates. In addition to tax expenses, we also will incur expenses related to our operations, as well as payments under the Tax Receivable Agreement, which we expect could be significant over time. Following this offering, we will receive a portion of any distributions made by SDC Financial. Any cash received from such distributions from our subsidiaries will first be used by us to satisfy any tax liability and then to make any payments required under the Tax Receivable Agreement. See "*Certain Relationships and Related Party Transactions—Tax Receivable Agreement*."

Adjusted EBITDA

To supplement our consolidated financial statements presented in accordance with GAAP, we also present Adjusted EBITDA, a financial measure which is not based on any standardized methodology prescribed by GAAP.

We define Adjusted EBITDA as net loss before provision for income tax expense, interest expense, and depreciation and amortization, loss on disposal of property, plant and equipment, adjusted to remove derivative fair value adjustments, foreign currency adjustments and equity-based compensation. Adjusted EBITDA does not have a definition under GAAP, and our definition of Adjusted EBITDA may not be the same as, or comparable to, similarly titled measures used by other companies. We use Adjusted EBITDA when evaluating our performance when we believe that certain items are not indicative of operating performance. Adjusted EBITDA provides useful supplemental information to management regarding our operating performance and we believe it will provide the same to members/stockholders.

We believe that Adjusted EBITDA will provide useful information to members/stockholders about our performance, financial condition, and results of operations for the following reasons: (i) Adjusted EBITDA would be among the measures used by our management team to evaluate our operating performance and make day-to-day operating decisions and (ii) Adjusted EBITDA is frequently used by securities analysts, investors, lenders, and other interested parties as a common performance measures to compare results or estimate valuations across companies in our industry. Adjusted EBITDA should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. A reconciliation of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure, is set forth below:

Results of Operations

The following table summarizes our historical results of operations. The period-over-period comparison of results of operations is not necessarily indicative of results for future periods, and the results for any interim period are not necessarily indicative of the operating results to be expected for the full

fiscal year. You should read this discussion of our results of operations in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this prospectus.

(in thousands)	Six months ended June 30, 2019	Six months ended June 30, 2018	Years ended December 31, 2018	Years ended December 31, 2017
	(unaudited)			
Statements of Operations Data:				
Total revenues	$ 373,530	$ 175,064	$ 423,234	$ 145,954
Cost of revenues	83,580	60,377	133,968	64,011
Gross profit	289,950	114,687	289,266	81,943
Marketing and selling expenses	209,146	86,457	213,080	64,243
General and administrative expenses	96,490	47,301	121,743	48,202
Loss from operations	(15,686)	(19,071)	(45,557)	(30,502)
Total interest expense	7,391	5,884	13,705	2,148
Loss on extinguishment of debt	29,640	—	—	—
Other expense	81	8,642	15,148	—
Net loss before provision for income tax expense	(52,798)	(33,597)	(74,410)	(32,650)
Provision for income tax expense	117	209	361	128
Net loss	$ (52,915)	$ (33,806)	$ (74,771)	$ (32,778)
Other Data:				
Adjusted EBITDA	$ 2,299	$ (8,464)	$ (16,857)	$ (21,129)

The following table reconciles adjusted EBITDA to net loss, the most directly comparable GAAP financial measure.

(in thousands)	Six months ended June 30, 2019	Six months ended June 30, 2018	Years ended December 31, 2018	Years ended December 31, 2017
	(unaudited)			
Net loss	$ (52,915)	$ (33,806)	$ (74,771)	$ (32,778)
Depreciation and amortization	9,723	2,735	8,861	2,513
Total interest expense	7,391	5,884	13,705	2,148
Income tax expense	117	209	361	128
Loss on disposal of property, plant and equipment			617	—
Fair value adjustment of warrant derivative	—	8,624	14,500	—
Loss on extinguishment of debt	29,640	—	—	—
Equity-based compensation	8,262	7,872	19,839	6,860
Other	81	18	31	—
Adjusted EBITDA	$ 2,299	$ (8,464)	$ (16,857)	$ (21,129)

Comparison of the six months ended June 30, 2019 and 2018

Revenues

Revenues increased $198.5 million, or 113%, to $373.5 million in the six months ended June 30, 2019 from $175.1 million in the six months ended June 30, 2018. The increase in revenues was primarily driven by growth in unique aligner orders of 112% for the six months ended June 30, 2019 compared to the same period in 2018. Growth in unique aligner orders was primarily driven by an increase in number of website visitors and conversion thereof to aligner sales, along with an increase in sales and marketing spend.

Cost of revenues

Cost of revenues increased $23.2 million, or 38%, to $83.6 million in the six months ended June 30, 2019 from $60.4 million in the six months ended June 30, 2018. Cost of revenues decreased as a percentage of revenues from 34% in the six months ended June 30, 2018 to 22% in the six months ended June 30, 2019, primarily as a result of producing more aligners internally versus outsourcing to a contract manufacturer, as well as increased automation. As of the second quarter of 2019, we manufacture 100% of our aligners in-house. We anticipate that cost of revenues as a percentage of revenues will continue to decrease for the foreseeable future as a result of manufacturing automation.

Gross margin increased to 78% in the six months ended June 30, 2019 from 66% in the six months ended June 30, 2018, primarily as a result of the factors described above.

Marketing and selling expenses

Marketing and selling expenses as a percentage of revenues increased to 56% in the six months ended June 30, 2019 from 49% in the six months ended June 30, 2018, and increased to $209.1 million in the six months ended June 30, 2019 from $86.5 million in the six months ended June 30, 2018, primarily due to increased digital and media advertising and branding efforts, and by expansion of SmileShop locations to prepare for growth in the remainder of 2019 and beyond.

General and administrative expenses

General and administrative expenses increased $49.2 million, or 104%, to $96.5 million in the six months ended June 30, 2019 from $47.3 million in the six months ended June 30, 2018, primarily as a result of $26.1 million in salaries and wages from the expansion of our team member headcount, $5.7 million of payment processing fees from revenue growth, and $4.0 million of legal fees. General and administrative expenses as a percent of revenue decreased from 27% in the six months ended June 30, 2018 to 26% in the six months ended June 30, 2019, primarily as a result of improved leveraging of our fixed costs. We expect to incur a material one-time compensation expense, in the quarter of this offering in connection with the payment of cash bonus amounts and issuance of shares of Class A common stock pursuant to the IBAs.

Interest expense

Interest expense increased $1.5 million, or 26%, to $7.4 million in the six months ended June 30, 2019 from $5.9 million in the six months ended June 30, 2018, primarily as a result of a higher amount of indebtedness outstanding in the first half of 2019 compared to the same period in 2018. Borrowings and interest expense from our JPM Credit Facility is based on, among other things, the amount of eligible retail installment sale contracts.

Other expense

Other expense decreased $8.6 million to $0.1 million in the six months ended June 30, 2019 from $8.6 million in the six months ended June 30, 2018, primarily as a result of the fair value adjustment from the TCW Warrants (as defined herein) in 2018, which converted to additional obligations from the TCW Credit Facility (as defined herein) in December 2018.

The loss on extinguishment of debt is due to the repayment of the TCW Credit Facility in June 2019. In connection with the repayment, we paid $11.9 million, related to the make-whole provision, and wrote-off $2.6 million and $15.1 million of deferred financing and debt issuance costs, respectively.

Provision for income tax expense

Our provision for income tax expense was $0.1 million and $0.2 million for the six months ended June 30, 2019 and 2018.

Comparison of the years ended December 31, 2018 and 2017

Revenues

Revenues increased $277.3 million, or 190%, to $423.2 million in 2018 from $146.0 million in 2017. The increase in revenues was primarily driven by growth in unique aligner orders of 187% over the same period. Growth in unique aligner orders was primarily driven by an increase in conversion from website visitors to aligner sales in 2018, along with an increase in sales and marketing spend of $148.8 million from 2017 to 2018.

Cost of revenues

Cost of revenues increased $70.0 million, or 109%, to $134.0 million in 2018 from $64.0 million in 2017. Cost of revenues decreased as a percentage of revenues from 44% in 2017 to 32% in 2018 primarily as a result of producing more aligners internally versus outsourcing to a contract manufacturer. We anticipate that cost of revenues as a percentage of revenues will continue to slightly decrease for the foreseeable future as a result of manufacturing automation.

Gross margin increased to 68% in 2018 from 56% in 2017, primarily as a result of the factors described above.

Marketing and selling expenses

Marketing and selling expenses as a percentage of revenues increased to 50% in 2018 from 44% in 2017, and increased to $213.1 million in 2018 from $64.2 million in 2017, primarily due to increased digital and media advertising and branding efforts, and by expansion of SmileShop locations to prepare for growth in 2019 and beyond.

General and administrative expenses

General and administrative expenses increased $73.5 million, or 153%, to $121.7 million in 2018 from $48.2 million in 2017, primarily as a result of $29.7 million in salaries and wages from the expansion of our team member headcount, $13.0 million in equity-based compensation expenses, and $10.2 million legal expenses. General and administrative expenses as a percent of revenue decreased from 33% in 2017 to 29% in 2018, due to improved leveraging of our fixed costs.

Interest expense

Interest expense increased $11.6 million, or 538%, to $13.7 million in 2018 from $2.1 million in 2017, primarily as a result of our entry into the TCW Credit Facility in February 2018 and borrowings thereunder.

Other expense

Other expense increased $15.1 million to $15.1 million in 2018 from $0.0 million in 2017, primarily as a result of the increase in the fair value of the TCW Warrants.

Provision for income tax expense

Our provision for income tax expense was $0.4 million and $0.1 million for the years ended December 31, 2018 and 2017, primarily related to state income tax in certain jurisdictions.

Quarterly results of operations

The table below summarizes our unaudited quarterly results of operations for the past ten quarters. This information has not been subject to a review pursuant to AU 722, *Interim Financial Review*.

	Three-Months ended									
(in thousands)	**Mar 31, 2017**	**June 30, 2017**	**Sept 30, 2017**	**Dec 31, 2017**	**Mar 31, 2018**	**June 30, 2018**	**Sept 30, 2018**	**Dec 31, 2018**	**Mar 31, 2019**	**June 30, 2019**
	(unaudited)									
Total revenues	$ 17,084	$ 20,825	$ 54,324	$ 53,721	$ 68,415	$ 106,649	$ 119,666	$ 128,504	$ 177,736	$ 195,794
Total cost of revenues	7,349	11,927	21,968	22,767	27,574	32,803	35,935	37,656	48,915	34,664
Gross profit	9,735	8,898	32,356	30,954	40,841	73,846	83,731	90,848	128,821	161,130
Marketing and selling expenses	8,545	14,940	18,497	22,261	38,477	47,980	57,210	69,413	95,733	113,413
General and administrative expenses	7,559	11,102	12,292	17,249	19,791	27,510	30,249	44,193	49,459	47,032
Income (loss) from operations	(6,369)	(17,144)	1,567	(8,556)	(17,427)	(1,644)	(3,728)	(22,758)	(16,371)	685
Total interest expense	309	453	577	809	2,336	3,548	4,645	3,176	3,971	3,420
Loss on extinguishment of debt	—	—	—	—	—	—	—	—	—	29,640
Other expense (income)	—	—	—	—	—	8,642	6,493	13	118	(37)
Net income (loss) before provision for income tax expense	(6,678)	(17,597)	990	(9,365)	(19,763)	(13,834)	(14,866)	(25,947)	(20,460)	(32,338)
Provision for income tax expense	21	35	41	31	68	141	85	67	20	97
Net income (loss)	$ (6,699)	$ (17,632)	$ 949	$ (9,396)	$ (19,831)	$ (13,975)	$ (14,951)	$ (26,014)	$ (20,480)	$ (32,435)
Other Data:										
Adjusted EBITDA	$ (5,871)	$ (13,816)	$ 4,113	$ (5,555)	$ (12,895)	$ 4,431	$ 4,258	$ (12,651)	$ (3,889)	$ 6,188

The following table reconciles adjusted EBITDA to net loss, the most directly comparable GAAP financial measure.

(in thousands)	**Mar 31, 2017**	**June 30, 2017**	**Sept 30, 2017**	**Dec 31, 2017**	**Mar 31, 2018**	**June 30, 2018**	**Sept 30, 2018**	**Dec 31, 2018**	**Mar 31, 2019**	**June 30, 2019**
	(unaudited)									
Net loss	$ (6,699)	$ (17,632)	$ 949	$ (9,396)	$ (19,831)	$ (13,975)	$ (14,951)	$ (26,014)	$ (20,480)	$ (32,435)
Depreciation and amortization	498	544	699	772	1,277	1,458	2,232	3,894	4,655	5,068
Total interest expense	309	453	577	809	2,336	3,548	4,645	3,176	3,971	3,420
Income tax expense	21	35	41	31	68	141	85	67	20	97
Loss on disposal of property, plant and equipment	—	—	—	—	—	—	617		—	—
Fair value adjustment of warrant derivative	—	—	—	—	—	8,624	5,876		—	—
Loss on extinguishment of debt	—	—	—	—	—	—	—	—	—	29,640
Equity-based compensation	—	2,784	1,847	2,229	3,255	4,617	5,754	6,213	7,827	435
Other	—	—	—	—	—	18	—	13	118	(37)
Adjusted EBITDA	$ (5,871)	$ (13,816)	$ 4,113	$ (5,555)	$ (12,895)	$ 4,431	$ 4,258	$ (12,651)	$ (3,889)	$ 6,188

Liquidity and Capital Resources

We have incurred losses since our inception in 2014. As of June 30, 2019, we had an accumulated members' deficit of $226.0 million and had working capital of $184.9 million. Our operations have been financed primarily through net proceeds from the sale of our equity securities and borrowings under our debt instruments.

Our short-term liquidity needs primarily include working capital, international expansion, innovation, research and development, and debt service requirements. We believe that our current liquidity, along with the proceeds of this offering, will be sufficient to meet our projected operating, investing, and debt service requirements for at least the next 12 months. Our future capital requirements may vary materially from those currently planned and will depend on many factors, including our levels of revenue, the expansion of sales and marketing activities, market acceptance of our clear aligners, the results of research and development and other business initiatives, the timing of new product introductions, and overall economic conditions. To the extent that current and anticipated future sources of liquidity are insufficient to fund our

future business activities and requirements, we may be required to seek additional equity or debt financing. The sale of additional equity would result in additional dilution to our stockholders. The incurrence of additional debt financing would result in debt service obligations, and any future instruments governing such debt could provide for operating and financing covenants that would restrict our operations.

SDC Inc. is a holding company with no operations of our own and, as such, we will depend on our subsidiaries for cash to fund all of our operations and expenses. We will depend on the payment of distributions by our subsidiaries, and such distributions may be restricted as a result of regulatory restrictions, state and international laws regarding distributions, or contractual agreements, including agreements governing indebtedness. For a discussion of those restrictions, see "*Risk Factors—Risks Related to Our Organization and Structure—We will be a holding company. Our sole material asset after completion of this offering will be our equity interest in SDC Financial, and as such, we will depend on our subsidiaries for cash to fund all of our expenses, including taxes and payments under the Tax Receivable Agreement.*" We currently anticipate that such restrictions will not impact our ability to meet our cash obligations.

Cash flows

The following table sets forth a summary of our cash flows for the periods indicated.

(in thousands)	Six months ended June 30,		Years ended December 31,	
	2019	2018	2018	2017
	(unaudited)			
Net cash used in operating activities	$ (97,892)	$ (47,495)	$ (114,786)	$ (30,268)
Net cash used in investing activities	(38,148)	(5,942)	(41,841)	(10,027)
Net cash (used in) provided by financing activities	(28,801)	59,449	466,485	37,965
Increase (decrease) in cash	(164,841)	6,012	309,858	(2,330)
Cash at beginning of period	313,929	4,071	4,071	6,401
Cash at end of period	$ 149,088	$ 10,083	$ 313,929	$ 4,071

Comparison of the six months ended June 30, 2019 and 2018

As of June 30, 2019, we had $149.1 million in cash, an increase of $139.0 million compared to $10.1 million as of June 30, 2018.

Cash used in operating activities increased to $97.9 million during the six months ended June 30, 2019 compared to $47.5 million in the six months ended June 30, 2018, or an increase of $50.4 million, primarily resulting from an increase in accounts receivable associated with our SmilePay offering. We expect to incur a material one-time cash compensation expense in the quarter of this offering in connection with the payment of cash bonus amounts pursuant to the IBAs.

Cash used in investing activities increased to $38.1 million during the six months ended June 30, 2019, compared to $5.9 million in the six months ended June 30, 2018, primarily resulting from an increase in the number of SmileShop locations, along with an increase in purchases of manufacturing automation equipment and computer and software equipment.

Cash (used in) provided by financing activities decreased to $(28.8) million during the six months ended June 30, 2019, compared to $59.4 million in the six months ended June 30, 2018, primarily resulting from our refinancing of the TCW Credit Facility.

Comparison of the years ended December 31, 2019 and 2018

As of December 31, 2018, we had $313.9 million in cash, an increase of $309.8 million compared to $4.1 million as of December 31, 2017.

Cash used in operating activities increased to $114.8 million during 2018, compared to $30.3 million in 2017, an increase of $84.5 million, primarily resulting from an increase in accounts receivable associated with our SmilePay offering.

Cash used in investing activities increased to $41.8 million during 2018, compared to $10.0 million in 2017, primarily resulting from an increase in the number of SmileShop locations from 41 to 188, along with an increase in purchases of manufacturing automation equipment and computer and software equipment.

Cash provided by financing activities increased to $466.5 million during 2018, compared to $38.0 million in 2017, primarily resulting from the proceeds of $400.2 million we received from our 2018 Private Placement and an increase in our long-term borrowings to $117.4 million in 2018 compared to $36.0 million in 2017. This was offset by the repayment of Align Loan (as defined herein) of $30.0 million in February 2018.

2018 Private Placement

In the second half of 2018, SDC Financial consummated a private placement of approximately $400 million of Series A Preferred Units (the "2018 Private Placement"). Pursuant to the terms of the purchase agreement governing the 2018 Private Placement, a portion of the proceeds from the 2018 Private Placement was to be used to make distributions to, or redeem Pre-IPO Units from, the Pre-IPO Investors (other than the holders of Series A Preferred Units), in an amount of up to $200 million less any amounts ultimately used to redeem Align, a then-current member of SDC Financial, in connection with a then-existing arbitration proceeding, as further described in "*Our Business—Legal Proceedings*." We are paying Align $54 million of that amount, pursuant to a promissory note payable over 24 months through March 2021, in full redemption of Align's Pre-IPO Units pursuant to the arbitration decision in that matter, and the remaining $146 million has not been distributed to the Pre-IPO Investors to date. Align has since filed a subsequent arbitration proceeding disputing the $54 million redemption price and seeking an additional $43 million. Upon the conclusion of the current arbitration proceeding, we expect SDC Financial to pay to the Pre-IPO Investors (other than the holders of Series A Preferred Units of SDC Financial) a distribution equal to $43 million less any amount determined to be due and payable to Align in connection with the current arbitration proceeding, and in connection with this offering, we intend to use the remaining approximately $111 million to purchase and cancel LLC Units from the Pre-IPO Investors (other than the holders of Series A Preferred Units) as further described in "*Use of Proceeds*."

Tax Receivable Agreement

Our purchase of LLC Units from SDC Financial, coupled with SDC Financial's purchase and cancellation of LLC Units from the Pre-IPO Investors in connection with this offering, as described under "*Use of Proceeds*," and any future exchanges of LLC Units for our Class A common stock or cash are expected to result in increases in our allocable tax basis in the assets of SDC Financial that otherwise would not have been available to us. These increases in tax basis are expected to provide us with certain tax benefits that can reduce the amount of cash tax that we otherwise would be required to pay in the future. We and SDC Financial will enter into the Tax Receivable Agreement with the Continuing LLC Members, pursuant to which we will agree to pay the Continuing LLC Members 85% of the cash savings, if any, in U.S. federal, state, and local income tax or franchise tax that we actually realize as a result of (a) the increases in tax basis attributable to exchanges by Continuing LLC Members and (b) tax benefits related to imputed interest deemed to be paid by us as a result of the Tax Receivable Agreement. See "*Certain Relationships and Related Party Transactions—Tax Receivable Agreement*."

The amounts to be recorded for both the deferred tax assets and the liability for our obligations under the Tax Receivable Agreement will be estimated at the time of an exchange of LLC Units. All of the effects of changes in any of our estimates after the date of the exchange will be included in net income. Similarly,

the effect of subsequent changes in the enacted tax rates will be included in net income. See "*Certain Relationships and Related Person Transactions—Tax Receivable Agreement*."

Because SDC Inc. will be the managing member of SDC Financial, which is the managing member of SDC LLC, which is the managing member of SDC Holding, we will have the ability to determine when distributions (other than tax distributions) will be made by SDC Holding to SDC LLC and by SDC LLC to SDC Financial and the amount of any such distributions, subject to limitations imposed by applicable law and contractual restrictions (including pursuant to our debt instruments). Any such distributions will then be distributed to all holders of LLC Units, including us, pro rata based on holdings of LLC Units. The cash received from such distributions will first be used by us to satisfy any tax liability and then to make any payments required under the Tax Receivable Agreement. We expect that such distributions will be sufficient to fund both our tax liability and the required payments under the Tax Receivable Agreement.

Indebtedness

Align Loan and Security Agreement

In 2016, we entered into a Loan and Security Agreement and related ancillary agreements (collectively, the "Align Loan") with Align Technology, Inc. ("Align"). The Align Loan was amended in 2017. The Align Loan provided a line of credit for us to borrow up to 80% of eligible receivables up to a maximum amount of $30 million at an interest rate of 7% per annum. The entire outstanding balance of $30.0 million was repaid with proceeds from the TCW Credit Facility, and the Align Loan terminated, in February 2018.

TCW financing agreement, warrants, and warrant repurchase obligations

We were party to a financing agreement with TCW Direct Lending (as amended, the "TCW Credit Facility"), which provided for a term loan of $55.0 million (the "Term Loan") and the potential to draw up to an additional $70.0 million (the "Delayed Draw Facility"). The Term Loan and the Delayed Draw Facility matured February 2023 and bore interest at an annual rate of LIBOR or a reference rate, as defined in the agreement, plus an applicable margin based on our leverage (8% margin on LIBOR for the year ending December 31, 2018). The TCW Credit Facility also included make-whole provisions in case of termination of the facility. The TCW Credit Facility was secured by a first mortgage and lien on our real property and related personal and intellectual property. As of December 31, 2018, we had $55.0 million outstanding under the Term Loan and $65.5 million outstanding under the Delayed Draw Facility. In June 2019, we repaid in full all amounts outstanding under the Term Loan and Delayed Draw Facility, including an approximately $11.9 million make whole payment.

We had issued two classes of warrants, Class W-1 and Class W-2 warrants (collectively, the "TCW Warrants"), in connection with the TCW Credit Facility to the lenders thereunder. In June 2019, we repurchased the warrants for approximately $32.6 million, including $0.7 million of accrued interest, pursuant to a repurchase obligation undertaken in connection with a December 2018 amendment to the TCW Credit Facility.

Revolving credit facility

In June 2019, we and SDC U.S. SmilePay SPV (the "SPV"), our wholly owned special purpose subsidiary, entered into a loan and security agreement with JPMorgan Chase Bank, N.A., as the administrative agent, the collateral agent and a lender (the "Revolving Credit Facility"), providing a secured revolving credit facility to the SPV in an initial aggregate maximum principal amount of $500 million with the potential to increase the aggregate principal amount that may be borrowed up to an additional $250 million with the consent of the lenders participating in such increase. Availability under the Revolving Credit Facility is based on, among other things, the amount of eligible retail installment sale contracts owned by the SPV.

The Revolving Credit Facility provides for interest on the outstanding principal balance of a spread above prevailing commercial paper rates or, to the extent the advance is not funded by a conduit lender through the issuance of commercial paper, LIBOR. The Revolving Credit Facility also provides for an unused fee based on the unused portion of the total aggregate commitment. There is no amortization schedule; however, the debt is reduced monthly as available collections on the related financed receivables are applied to outstanding principal. Upon expiration of the Revolving Credit Facility on December 14, 2020 (unless earlier terminated or extended in accordance with its terms), any outstanding principal will continue to be reduced monthly through available collections. As of June 30, 2019, we had $151.3 million of outstanding borrowings under the Revolving Credit Facility at an interest rate of 5.6%.

The proceeds of the Revolving Credit Facility were used to repay all outstanding amounts under the TCW Credit Facility, including repurchasing the TCW Warrants, for working capital and other corporate purposes. We are required to maintain on a consolidated basis specified minimum tangible net worth and liquidity and are also subject to a maximum leverage ratio. The Revolving Credit Facility is secured by, among other assets, a first priority security interest in certain receivables conveyed by us to the SPV and certain of our intellectual property.

Promissory notes

Promissory notes to majority member and related parties: We were the obligor under three promissory notes payable to David Katzman and certain affiliated trusts. As of December 31, 2018, the balance of these notes was $11.7 million. Interest on these notes accrued at a rate of 10% per annum. These notes were repaid in full in the first quarter of 2019.

Promissory notes on unitholder redemption: We have two outstanding promissory notes to unitholders due to repurchases of membership units. The notes are payable over 24 to 36 monthly payments plus interest at 1.7% to 3% annually. As of December 31, 2018 and 2017, the outstanding balances on these notes payable were $6.2 million and $9.0 million, respectively. As of June 30, 2019, the outstanding balance on these notes payable was $4.0 million.

Contractual obligations

Our principal commitments consisted of obligations under our outstanding term loans and operating leases for equipment and office facilities. The following table summarizes our commitments to settle contractual obligations in cash as of the dates presented.

June 30, 2019	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
			(in thousands)		
Long-term debt	$ 202,711	$ 30,828	$ 171,883	$ —	$ —
Operating lease commitments	44,787	12,063	19,253	9,430	4,041
Capital lease commitments	9,440	3,348	6,092	—	—
Total contractual obligations	$ 256,938	$ 46,239	$ 197,228	$ 9,430	$ 4,041

The payments that we may be required to make under the Tax Receivable Agreement to the Continuing LLC Members may be significant and are not reflected in the contractual obligations tables set forth above as they are dependent upon future taxable income. See "*Certain Relationships and Related Party Transactions—Tax Receivable Agreement*."

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements during the periods presented.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which we have prepared in accordance with GAAP. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that impact the reported amounts. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition and equity-based compensation, among others. Each of these estimates varies in regard to the level of judgment involved and its potential impact on our financial results. Estimates are considered critical either when a different estimate could have reasonably been used, or where changes in the estimate are reasonably likely to occur from period to period, and such use or change would materially impact our financial condition, results of operations, or cash flows. Actual results could differ from those estimates. While our significant accounting policies are more fully described in Note 1 to our consolidated financial statements included elsewhere in this prospectus, we believe that the following accounting policies and estimates are most critical to a full understanding and evaluation of our reported financial results.

Revenue recognition

As discussed in Note 1 to our consolidated financial statements included elsewhere in this prospectus, we adopted Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, as of January 1, 2017 using the full retrospective method. For the year ended December 31, 2016, the effect of the changes in revenue recognition under ASC 606 was immaterial from the amount that was reported under the previous guidance.

Our revenue is generated through sales of aligners, retainers, and other products. Our aligner sales commitment contains multiple promises which may include (i) initial aligners, (ii) mid-course corrections, and (iii) refinement aligners. Our members are eligible for modified or refinement aligners at any point during their treatment plan or immediately following their original treatment plan (which is typically between five and ten months), in each case, upon the direction of, and pursuant to a prescription from, the treating dentist or orthodontist. Under ASC 606, we evaluate whether the initial aligners, mid-course corrections, and refinement aligners represent separate or combined performance obligations. We have determined that these promises, within the aligner sales commitment, represent separate performance obligations.

The terms of the aligner and retainer sales include member rights to cancel the orders and return unopened aligner, impression kit, or retainer boxes for a refund of any consideration paid related to the returned products. The rights of return create variability in the amount of transaction consideration, and in turn, revenue we can recognize for fulfilling related performance obligations. We recognize revenue based on the amount of consideration to which we expect to be entitled, which excludes consideration received for products expected to be returned. Accordingly, we are required to make estimates of expected returns and related refund liabilities. We estimate expected returns based upon our assessment of historical and expected cancellations.

We offer our members the option of paying for the entire cost of their aligners upfront or enrolling in SmilePay, a convenient monthly payment plan that requires a $250 down payment, with the remaining consideration due over a period up to 24 months. Approximately 65% of our members elect to purchase our aligners using SmilePay. The amount of contract consideration we estimate to be collectible from our SmilePay members results in an implicit price concession. We estimate the amount of implicit price concession based upon our assessment of historical write-offs and expected net collections, business and economic conditions, and other collection indicators. We believe our analysis provides reasonable estimates of our revenues and valuations of our accounts receivable.

Revenue is recognized for mid-course corrections and refinement aligners when the promised goods are transferred to the member. Mid-course corrections and refinement aligners represent a promise to

transfer goods to members, and not all members order mid-course corrections or refinement aligners. We make our best estimate of mid-course correction and refinement aligner member usage rates, which we use to determine the amount of revenue to allocate to those performance obligations at inception of our aligner sales commitment. Our process for estimating usage rates requires significant judgment and evaluation of inputs, including historical data and forecasted usages. Any material changes to usage rates could impact the timing of revenue recognition, which may have a material effect on our financial position and result of operations.

Amounts received prior to satisfying the above revenue recognition criteria are recorded as a contract liability in our historical consolidated balance sheets.

Equity-based compensation

Prior to this offering, we issued equity-based compensation awards to team members and non-team members through the granting of incentive units. We have periodically granted incentive units to team members and non-team members, which generally vest over a four- or five-year period. The incentive units represent a separate substantive class of equity with defined rights within our Operating Agreement. The incentive units represent profit interests in the increase in our value over a participation threshold, as determined at the time of grant. The holder, therefore, has the right to participate in distributions of profits only in excess of such participation threshold. The participation threshold is based on the valuation of the incentive unit on or around the grant date.

We account for equity-based compensation for team members in accordance with ASC 718, *Compensation–Stock Compensation*. In accordance with ASC 718, compensation cost is measured at estimated fair value on grant date and is included as compensation expense over the vesting period during which a team member provides service in exchange for the award.

We account for equity-based compensation for non-team members in accordance with ASC 505, *Equity–Based Payments to Non-Employees*, which requires that non-team member compensation cost is measured at estimated fair value on the vesting date and is included as compensation expense over the vesting period during which a non-team member provides service in exchange for the award.

We used the Black-Scholes Option Pricing Method to allocate the total equity fair value among the various classes of equity including the incentive units. The Black-Scholes Option Pricing Method treats common units and preferred units as call options on the enterprise's value, with exercise prices based on the liquidation preference of the preferred units. Under this method, the common units have value only if the funds available for distribution to unitholders exceed the value of the liquidation preference at the time of a liquidity event (for example, merger or sale), assuming the enterprise has funds available to make a liquidation preference meaningful and collectible by the unitholders. The Black-Scholes Option Pricing Method includes various assumptions, including the expected life of incentive units, the expected volatility, and the expected risk-free interest rate. These assumptions reflect our best estimates, but they involve inherent uncertainties based on market conditions generally outside our control. As a result, if other assumptions had been used, unit-based compensation cost could have been materially impacted. Furthermore, if we use different assumptions for future grants, unit-based compensation cost could be materially impacted in future periods.

As there has been no public market for our common units to date, the estimated total equity fair value has been determined by our board of directors as of the date of each incentive unit grant, with input from management, considering our most recently available third-party valuations of the enterprise value. Valuations are updated when facts and circumstances indicate that the most recent valuation is no longer valid, such as changes in the stage of our development efforts, various exit strategies and their timing, and other scientific developments that could be related to our valuation, or, at a minimum, annually. Third-party valuations were performed in accordance with the guidance outlined in the American Institute of

Certified Public Accountants' Accounting and Valuation Guide, Valuation of Privately Held Company Equity Securities Issued as Compensation.

Recent Accounting Pronouncements

For a discussion of new accounting pronouncements recently adopted and not yet adopted, see Note 2 to our consolidated financial statements included elsewhere in this prospectus.

Quantitative and Qualitative Disclosures on Market Risks

Interest rate risk

Our cash consists primarily of an interest-bearing account at a large U.S. bank with limited interest rate risk. We intend to maintain our portfolio of cash equivalents in a variety of investment-grade securities, which may include commercial paper, money market funds, and government and non-government debt securities. Because of the short-term maturities of our cash and cash equivalents and marketable securities, we do not believe that an increase in market rates would have any significant negative impact on the realized value of our investments. At December 31, 2018, we held no investments in marketable securities.

As of December 31, 2018, we had $55.0 million outstanding under the Term Loan, $65.5 million outstanding under the Delayed Draw Facility, and $31.9 million outstanding under the TCW Warrant repurchase obligation. Each bore interest at an annual rate of LIBOR or a reference rate, as defined in the agreement, plus an applicable margin that is based on our leverage (8% on LIBOR margin for the year ending December 31, 2018). In June 2019, the Term Loan and Delayed Draw Facility were repaid in full and the TCW Warrants were repurchased.

In June 2019, we entered into a new facility with J.P. Morgan Chase Bank, N.A., as the administrative agent, providing a secured revolving credit facility in an initial aggregate maximum principal amount of $500 million with the potential to borrow up to an additional $250 million. The Revolving Credit Facility provides for interest on the outstanding principal balance of a spread above prevailing commercial paper rates or, to the extent the advance is not funded by a conduit lender through the issuance of commercial paper, LIBOR. As of June 30, 2019, we had $151.3 million of outstanding borrowings under the Revolving Credit Facility at an interest rate of 5.6%.

Foreign currency exchange risk

Historically we have operated primarily in the U.S. and substantially all of our revenue, cost, expense and capital purchasing activities for the year ended December 31, 2018 were transacted in United States dollars. As we are expanding our sales and operations internationally, we are more exposed to changes in foreign exchange rates. Our international revenue is currently predominantly from Canada and is denominated in primarily in Canadian dollars, with a limited portion from Australia and the U.K. and denominated in Australian dollars and pound sterling. In the future, as we expand into additional international jurisdictions, we expect that our international sales will be primarily denominated in foreign currencies and that any unfavorable movement in the exchange rate between U.S. dollars and the currencies in which we conduct foreign sales could have an adverse impact on our revenue. To minimize this risk, our expenses, other than manufacturing, are incurred in local currency to effectively create a natural hedge against currency risk.

A portion of our operating expenses are incurred outside the United States and are denominated in foreign currencies, which are also subject to fluctuations due to changes in foreign currency exchange rates. In particular, in our Costa Rican operations, we pay payroll and other expenses in Costa Rican colones. In addition, our suppliers incur many costs, including labor costs, in other currencies. To the extent that exchange rates move unfavorably for our suppliers, they may seek to pass these additional costs on to us,

which could have a material impact on our gross margins. Our operating results and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. However, we believe that the exposure to foreign currency fluctuation from operating expenses is relatively small at this time as the related costs do not constitute a significant portion of our total expenses.

Our exposures to foreign currency risks may change as we grow our international operations over time and could have a material adverse impact on our financial results. We may in the future hedge our foreign currency exposure and may use currency forward contracts, currency options, and/or other common derivative financial instruments to reduce foreign currency risk. It is difficult to predict the effect any future hedging activities would have on our operating results.

Inflation risk

Inflationary factors, such as increases in our cost of revenues, advertising costs and other selling and operating expenses, may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain and increase our gross margin or to maintain current levels of selling, general, administrative and other operating expenses as a percentage of revenues if the selling price products do not increase with these increased costs.

Credit risk

We are exposed to credit risk through our SmilePay financing option. Approximately 65% of our members choose to finance their treatment through SmilePay. For the year ended December 31, 2018, SmilePay amounted to approximately $174.2 million in net receivables and an associated delinquency rate of approximately 10% of revenue. For the six months ended June 30, 2019, SmilePay amounted to approximately $275.1 million in net receivables and an associated delinquency rate of approximately 9% of revenue. We may experience an increase in payment defaults and uncollectible accounts, and may be required to revise our collection estimates, which would adversely affect our revenue and net income.

A LETTER FROM OUR CEO

The idea for SmileDirectClub was born 5 years ago by our founders Jordan and Alex, and our mission has been clear. . . Bring new smiles to the world through accessibility, convenience and affordability! In just a few short years we have successfully served over 700,000 members and are in the early innings of rapidly scaling the SDC platform to serve our global demand. Being committed to the customer experience and laser focused on achieving our goals through our "7 truths to Grin By" will continue to drive our culture. Stay Curious, Better is Better, Think Like a Customer, Data Discussion Deliver, Inspired by Why, Dependability Increases our Capability, and Win as a Team. These core values drive us every day to continue to advance our mission and help our members. We are a competitive group of 5,000+ strong and there isn't any other Team I would rather be in the fox hole with than the entire Team at SDC. Together we will continue working toward our goal of bringing access to a new smile to anyone on the planet who wants it.

We are now entering a phase of becoming a public company to help drive new investments and innovations so that we can continue to be better every day. This is a very exciting time in our young company's history and a key milestone that will help keep the rocket ship soaring.

I can't wait to get up every day to work side by side with our Team Members, and now our public investors, to capture the enormous opportunity that awaits us.

David Katzman, CEO

OUR BUSINESS

Our Company

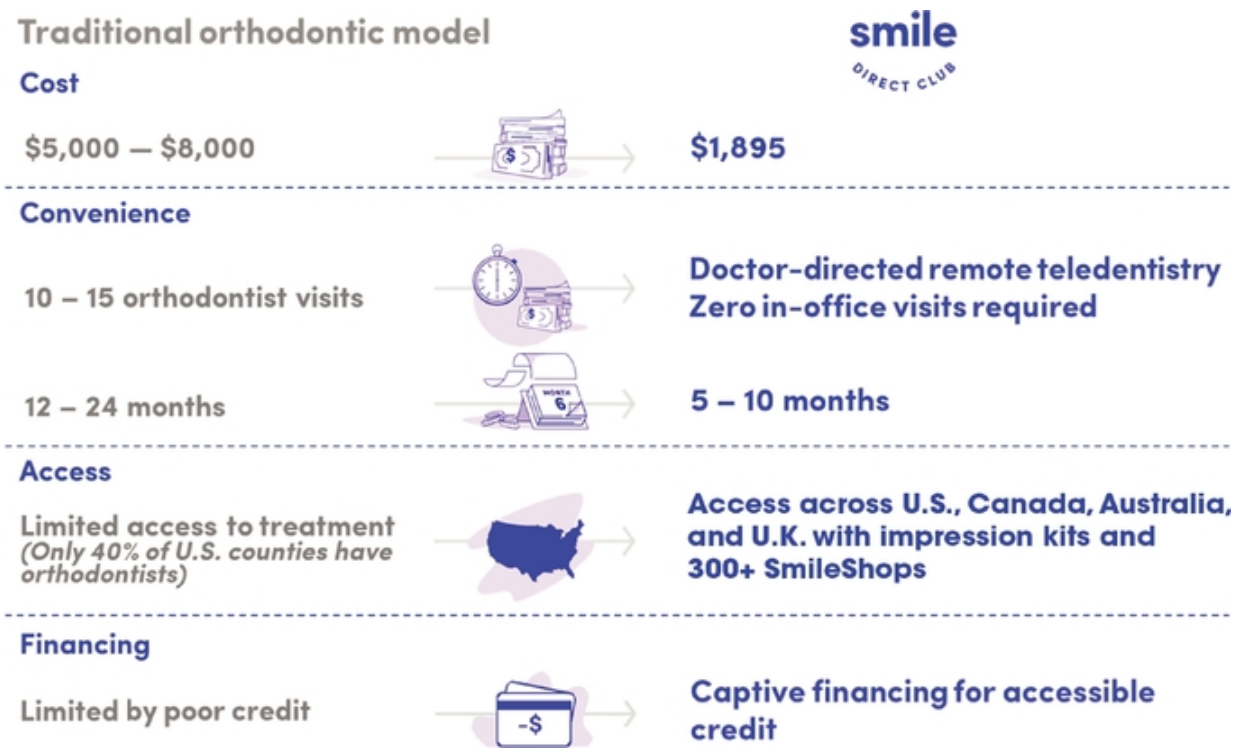
SmileDirectClub was founded on one simple belief: everyone deserves a smile they love.

We are the industry pioneer as the first direct-to-consumer medtech platform for transforming smiles. Through our cutting-edge teledentistry technology and vertically integrated model, we are revolutionizing the oral care industry.

Our clear aligner treatment addresses the large and underserved global orthodontics market. An estimated 85% of people worldwide suffer from malocclusion, yet less than 1% receive treatment annually. Our goal is to improve penetration into this untapped market by democratizing access to a more affordable, convenient, and accessible solution for a straighter smile. We believe we are the leading player in this early but massive opportunity. We believe that our aligner treatment can help over 90% of people with malocclusion, to some extent, to achieve a better smile.

The traditional orthodontic model, which includes both metal braces and clear aligner treatment administered through in-office doctor visits, suffers from many limitations; it is cost-prohibitive for many people, requires multiple inconvenient in-person appointments, and is not widely accessible. Specifically, traditional orthodontic solutions typically cost $5,000–$8,000 or more, require a series of time-consuming visits during limited hours, and are available in less than 40% of the counties in the U.S. alone.

We have disrupted the traditional orthodontic model by offering the following benefits:



Our vertically integrated model enables us to solve critical problems around cost, convenience, and access to care. We offer professional-level service and high-quality clear aligners at a cost of $1,895, up to 60% less than traditional orthodontic solutions. We achieve this cost savings while maintaining high quality by removing the overhead cost of in-person doctor visits and managing the entire member experience, all the way from marketing to aligner manufacturing, fulfillment, treatment by a member's doctor, and monitoring through completion of their treatment, which is enabled by our proprietary teledentistry

platform, SmileCheck. These efficiencies enable us to pass the cost savings directly to our members and allow doctors to focus on what matters most: providing convenient access to excellent clinical care. To further democratize access to care, we offer our members the option of paying the entire cost of their treatment upfront or enrolling in our financing program, SmilePay, a convenient monthly payment plan. We also accept insurance and as of 2019, are in-network with United Healthcare and Aetna.

Our member journey starts with two convenient options: a member books an appointment to take a free, in-person 3D oral image at any of our over 300 SmileShops across the U.S., Puerto Rico, Canada, Australia, and the U.K., or orders an easy-to-use doctor prescribed impression kit online, which we mail directly to their door. Using the image or impression, we create a draft custom treatment plan that demonstrates how the member's teeth will move during treatment. Next, via SmileCheck, a state licensed doctor within our network reviews and approves the member's clinical information and treatment plan. If the member is a good candidate for clear aligners, the treating doctor then prescribes custom-made clear aligners, the member has the opportunity to review a 3D rendering of how their teeth will move over time and, if the member decides to purchase, we then manufacture and ship the aligners directly to the member. SmileCheck is also used by the treating doctor to monitor the member's progress and enables seamless communication with the member over the course of treatment. Upon completion of treatment, a majority of our members purchase retainers every six months to prevent their teeth from relapsing to their original position. We also offer a growing suite of ancillary oral care products, such as whitening kits, to maintain a perfect smile.

Our primary focus is on delivering an exceptional customer ("member") experience. Our average net promoter score of 57 since inception, compared to an average net promoter score of 1 for the entire dental industry (according to West Monroe Partners), and our average rating of 4.9 out of 5 from over 100,000 member reviews on our website, demonstrate that our members are highly satisfied. As a testament to our confidence in the quality and efficacy of our product, we offer a Smile Guarantee, which provides members a refund or additional treatment, at no extra cost, if they are not entirely satisfied.

Since our founding in 2014, we have helped over 700,000 members across all 50 U.S. states, Puerto Rico, Canada, Australia, and the U.K., and have opened over 300 SmileShops, including in partnership with CVS and Walgreens. Our rapid growth validates our value proposition and compelling business model. Our total revenues increased 190%, to $423.2 million in 2018 from $146.0 million in 2017. Our total revenues for the six months ended June 30, 2019 were $373.5 million, an increase of 113% over the same time period in 2018. We generated net losses of $(74.8) million and $(32.8) million and Adjusted EBITDA of $(16.9) million and $(21.1) million in 2018 and 2017, respectively, and net losses of $(52.9) million and Adjusted EBITDA of $2.3 million for the six months ended June 30, 2019.

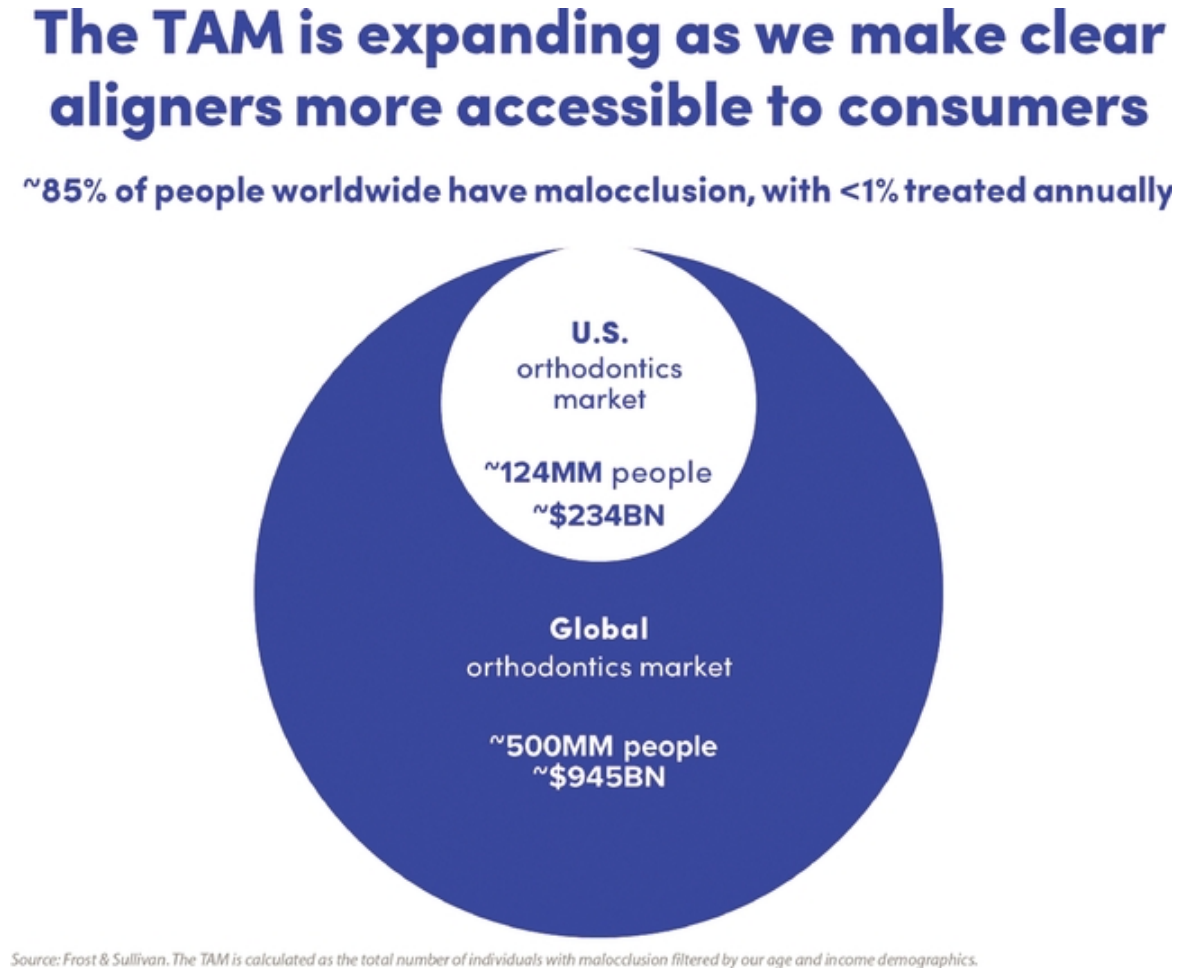
Our Market Opportunity

The global orthodontics market is large and underserved. Approximately 85% of people worldwide have malocclusion, with less than one percent treated annually. We believe that our aligner treatment can help over 90% of people with malocclusion, to some extent, to achieve a better smile.

The market is expanding as we make clear aligners more accessible to consumers. Our total market is greater than 120 million people in the U.S. and approximately 500 million people globally, according to a Frost & Sullivan study. This study estimates the market by analyzing country-specific data related to malocclusion prevalence and age and income demographics. For age demographics, the study considers people between 12 and 64 years of age. For income demographics, the study considers the number of people who can afford a monthly payment plan for clear aligners, as measured by country-specific income levels and estimated discretionary spend levels.

We believe over 90% of this market is addressable today and we are in the very early stages of penetrating this opportunity. Furthermore, to address our global opportunity, we launched in Canada in November 2018 and have helped over 15,000 members there to date. In the second quarter of 2019, we

launched in Australia, and in the third quarter of 2019, we launched in the United Kingdom, with plans to continue expanding into other countries in the near-term.



As a reflection of our market opportunity, our member base is diverse and spans all demographics. Our members' household income typically spans from $30,000 to $130,000, and our members range in age from teenagers (less than 5% of our members) to the 50+ category (10% of our members). Approximately 65% of our members are between 20 and 40 years old.

Trends in Our Favor

Several trends support our success and growth potential, primarily as a result of technological advances in healthcare and a wave of change in consumer preferences and purchasing decisions.

Emphasis on mission-driven brands

Consumers are increasingly scrutinizing whether companies are guided by socially responsible principles. In turn, mission-driven brands are generating higher customer confidence and spend and building emotional connections with consumers beyond a transactional relationship. According to a study by Cone Communications, 88% of consumers would consider buying products from purpose-driven companies, and 79% of consumers feel more loyalty towards purpose-driven companies.

Technology is driving transformation in healthcare

Technology is driving innovation in the healthcare industry, with increasing acceptance and adoption of telemedicine and remote care. According to a study conducted by The Advisory Board Company, up to 77% of those surveyed would consider receiving virtual healthcare. Telemedicine increases access, provides convenience and efficiency, and lowers cost to patients, thereby increasing utilization by people who have historically foregone treatment. In particular, orthodontic care is undergoing rapid digitization, in which software is able to capture oral images, recognize areas for correction, and map out step-by-step treatment plans in granular detail. Digital orthodontic care can also reduce risks and uncertainties at all stages of the treatment process to provide more accurate and consistent care.

Higher awareness of aesthetic image among consumers

The proliferation of social media emphasizes online identity and, as a result, drives consumers to present an image of their best selves. This emphasis has increased interest in aesthetically focused businesses, particularly those that focus on less invasive cosmetic treatments. Within the next 12 months, more than one in three adults in the U.S. are considering at least one cosmetic treatment, with cosmetic dentistry (including teeth alignment, whitening, and veneers) topping the list of nonsurgical treatments, according to a survey conducted by The Harris Poll on behalf of RealSelf.

Rise of omni-channel retail

Customers are increasingly expecting the convenience of an e-commerce business, coupled with the support and consultation provided with an in-person experience. In this environment, consumer-facing businesses must combine digital experiences with strategic brick and mortar locations to successfully convert potential customers. This strategy is supported by an IDC Retail Insights report, which found that retailers who utilized omni-channel marketing strategies experienced a 15-35% increase in average transaction size, a 5-10% increase in loyal customers' profitability, and 30% higher customer lifetime value than those who market using only one channel.

Data's increasing importance and impact on healthcare

Data is a powerful force that is driving improved quality of care while also decreasing costs. The solutions produced by leveraging insights from increasing amounts of data will be instrumental in making healthcare more preventative, predictive, and precise. By combining data with artificial intelligence, doctors, including orthodontists and general dentists, will be able to more effectively anticipate, diagnose, treat, and improve outcomes.

Consumer purchasing habits are increasingly driven by mobile channels

Consumers have access to their mobile devices virtually anywhere and anytime. Given this continuous connectivity, businesses are adapting their marketing strategies and increasingly focusing on mobile and social media platforms. This strategy has given rise to a new class of companies that have found rapid success through targeted social media marketing and direct-to-consumer e-commerce platforms. According to research by eMarketer, U.S. digital ad spending is expected to increase from $111 billion in 2018 to $188 billion in 2022, with 75% of the total digital U.S. spend in 2022 focused on mobile-only channels.

Our Member Journey

Through our member-centric platform, we have disrupted the traditional orthodontics industry, and in the process have helped over 700,000 members and growing. Based on our satisfaction surveys, more than 95% of our members surveyed would recommend the SmileShop experience to friends, demonstrating very high satisfaction with their experience.

Members start their journey by visiting our website, where they can learn about how our process works, read first-hand reviews from other members, and view before and after photos. Members then proceed with their journey through one of two convenient options:

- *In person at a SmileShop:* A member can use our website to easily book an appointment to take a free, in-person 3D oral image at any of our over 300 SmileShops across the U.S., Puerto Rico, Canada, Australia, and the U.K. At the 30-minute appointment, one of our team members ("SmileGuides") uses a handheld oral camera that takes approximately 6,000 photos per second to create a highly detailed digital map of the member's smile.

- *Remotely with an impression kit:* A member can order an easy-to-use doctor prescribed impression kit online, which we mail directly to their door pursuant to the prescription of a licensed doctor. Our impression kits are simple to use and can typically be completed by a member within 30 minutes. The member then returns their completed impression in a prepaid shipping box so that the impression can be scanned and digitized.

Once completed, the image or impression is used to create a digital map of the member's mouth, which our trained technicians use to create a draft custom treatment plan that contains the clinical protocols for how the member's teeth will move during treatment. The treatment plan is then sent to a state licensed doctor in our network. Within 48 hours, the doctor reviews the treatment plan, together with the member's oral photos, dental and health history, and chief complaint, and, where appropriate, approves the member's clinical information and treatment plan and prescribes custom-made clear aligners.

At this point in the journey, we offer our members two payment options to purchase the prescribed aligners: pay the full cost of treatment upfront or enroll in SmilePay, a convenient monthly payment plan that provides a flexible payment option to make our clear aligner treatment even more accessible. With a $250 down payment and an average monthly payment of only $85, SmilePay provides a more affordable option for those who cannot make the $1,895 full payment upfront.

Following a member's purchase, we manufacture and ship the full set of custom-made clear aligners directly to the member. The average treatment lasts approximately six months. Once a member begins treatment, the member is required to upload photos and other information to SmileCheck at least every 90 days for their treating doctor to review and order any mid-course corrections or refinements, as needed. In addition, members can connect with their treating doctor at any point in the process through SmileCheck.

As a testament to our confidence in the quality and efficacy of our product, we offer a Smile Guarantee. Our Smile Guarantee ensures a full refund if a member is not satisfied for any reason within the first 30 days and a pro-rated refund, or additional aligners at no cost for further adjustment at no cost, if the member is not satisfied at any point later in the process. Upon completion of treatment, a majority of our members purchase retainers every six months to prevent their teeth from relapsing to their original position. We also offer a growing suite of ancillary oral care products, such as whitening kits, to maintain a perfect smile.

Throughout our member journey, we are singularly focused on delivering an exceptional member experience. We manage every member touchpoint and communication, enabling us to continually refine and optimize the member experience.


How it works.
1
3D image.
Take a free 3D image at a SmileShop or SmileBus.
or
Impression kit.
Purchase an easy-to-use, prescribed impression kit online. When done, drop the impression kit in the mail and upload required photos.
2
Building new smiles.
Within 48 hours, a duly licensed dentist or orthodontist reviews the clinical information and prescribes aligners if appropriate. The average treatment plan is 6 months.
3
Aligners ship directly.
3–4 weeks later, our in-house manufactured custom-made aligners are shipped, all at once.
4
Checking in.
The treating duly licensed doctor reviews clinical progress through our remote teledentistry platform at least every 90 days.
5
Smiles are forever.
Once the smile journey is completed, members can buy retainers and our other products to help maintain a smile they'll love.

Our Value Proposition to Our Members

Our goal is to deeply impact and enrich our members' lives by giving them a smile that they can be confident in. Our offering provides a highly positive member experience delivered by our vertically integrated model, which enables us to address critical problems around cost, convenience, and access to care. As a result, we deliver a quality service at a fraction of the cost and in a much quicker and convenient manner than traditional orthodontic solutions.

Affordable, professional-level quality product

We offer professional-level service and high-quality clear aligners at a cost of $1,895, up to 60% less than traditional orthodontic solutions. We achieve this cost savings while maintaining high quality by removing the overhead cost of in-person doctor visits and managing the entire member experience, all the way from marketing to aligner manufacturing, fulfillment, and treatment monitoring by a member's doctor through completion of their treatment. These efficiencies enable us to pass the cost savings directly to the members and allow doctors in our network to focus on what matters most: providing convenient access to excellent clinical care.

Convenience

Our omni-channel retail strategy, along with our teledentistry platform, enables members to choose how they would like to interact with us. Traditional orthodontic treatment requires monthly visits whereas doctors using our teledentistry platform do not require in-person visits. Doctors in our network rely on SmileCheck to communicate with our members and view their progress through the submission of photos and other information every 90 days, or more frequently, if required. In addition, our treatment plans typically range from five to ten months, with an average of six months, compared to the traditional orthodontic model of 12 to 24 months. We also recently introduced our innovative Nighttime Clear Aligners, which require only 10 hours of nightly wear, for members who are unwilling or unable to wear aligners for the typical 22 hours per day required for traditional clear aligner therapy.

Accessibility

Over 60% of counties in the U.S. do not have an orthodontist's office, thereby limiting access to treatment for a large portion of the population. Using our proprietary teledentistry platform, we have helped treat members in over 80% of these underserved counties since launching in 2014. We have provided care to members in every state in the U.S., from the densest metropolitan cities to remote rural areas. Our doctor network includes licensed orthodontists and general dentists in all 50 U.S. states, Puerto Rico, Canada, Australia, and the U.K., and we can ship to anywhere in these countries. In addition, our rapidly scaling network of over 300 SmileShops provides prospective members a convenient touchpoint when considering treatment.

SmilePay

To further democratize access to care, we offer our members the option of paying the entire cost of their treatment upfront or enrolling in SmilePay, a convenient monthly payment plan that makes our clear aligner treatment even more accessible. With a $250 down payment and an average monthly payment of only $85, SmilePay provides a more affordable option for those who cannot make the $1,895 full payment upfront.

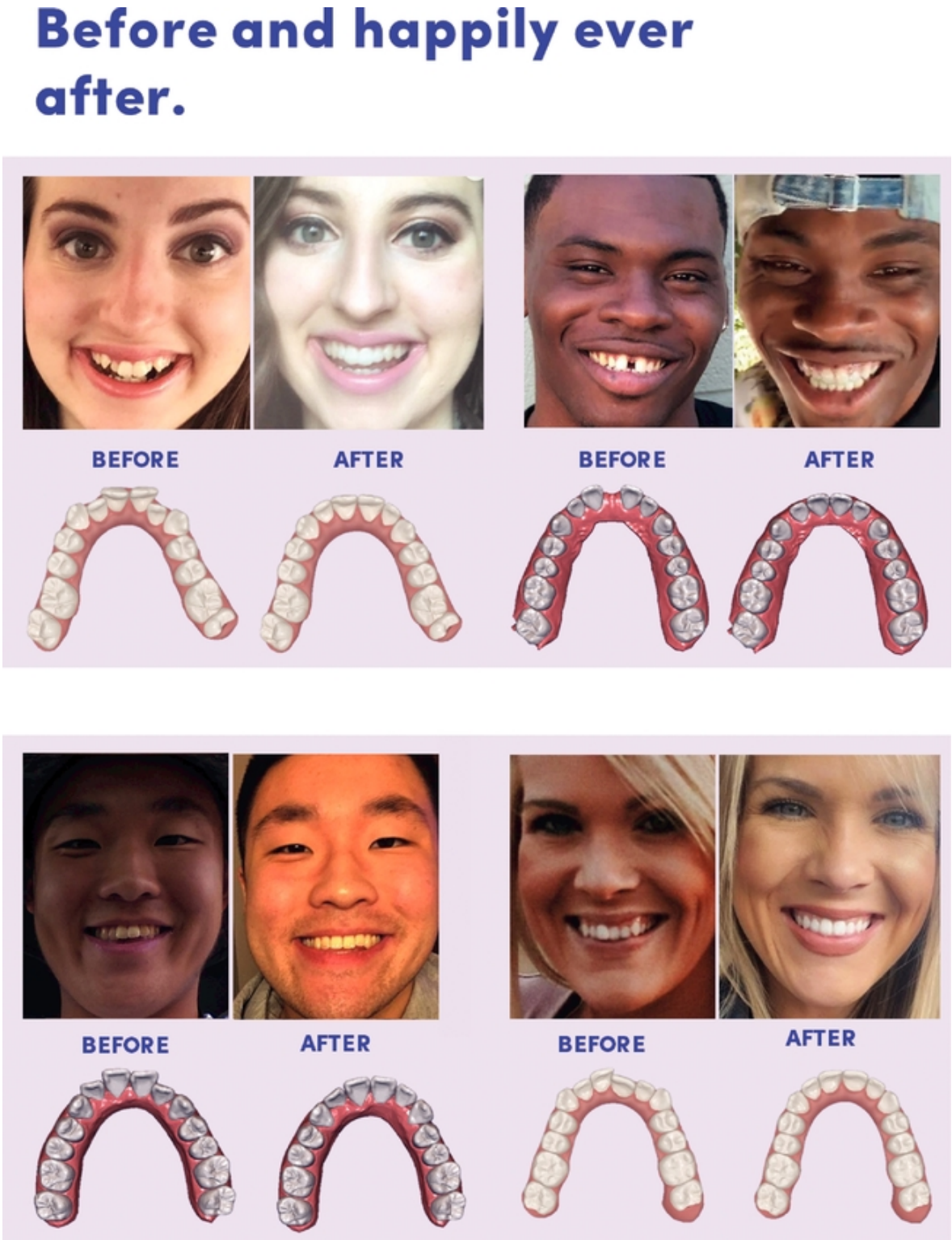
Smile Guarantee

Members can feel confident in using our products and services on a risk-free basis. As a testament to our confidence in the quality and efficacy of our product, we offer a Smile Guarantee: If our members are dissatisfied with their aligners for any reason within the first 30 days of their treatment, we allow them to

return their aligners and receive a full refund. Alternatively, after the first 30 days, we allow members to return the remainder of their aligners for a pro-rated refund based on the number of aligners used. Finally, if a member follows their treatment plan guidelines and does not achieve a smile they love, the treating doctor will re-evaluate the member's results, and we will provide additional aligners for further adjustment at no additional cost.

Highly satisfied grinners

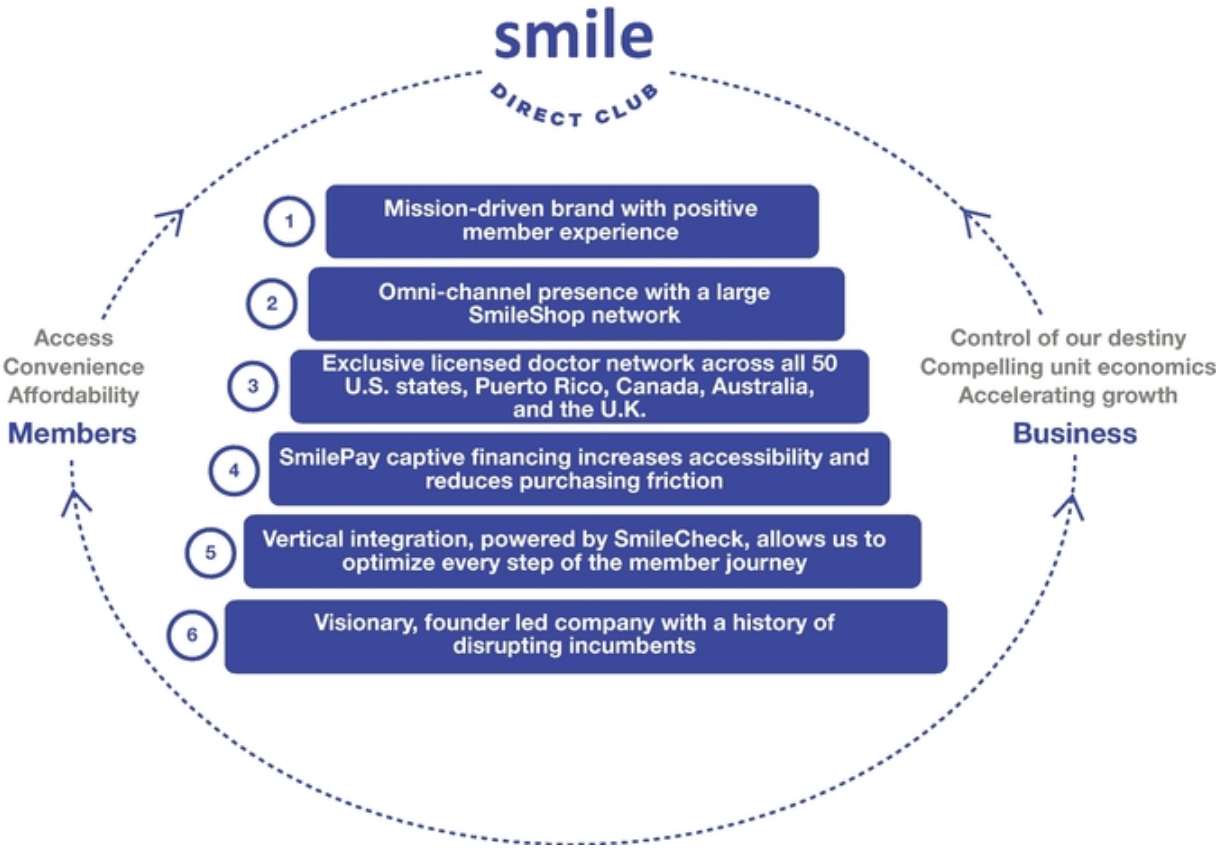
Our primary focus is on delivering an exceptional member experience. We have helped over 700,000 members with an average net promoter score of 57 since inception, compared to an average net promoter score of 1 for the entire dental industry (according to West Monroe Partners), and an average rating of 4.9 out of 5 from over 100,000 member reviews on our website.



These are typical SmileDirectClub customers. Their average treatment length is six months. Individual results may vary.

Our Strengths

We believe our strengths will allow us to maintain and extend our position as the leading direct-to-consumer clear aligner provider. Below is a summary of our key strengths:



Mission-driven brand with positive member experience

Our mission is to democratize access to a smile each and every person loves, and we strive to create the best possible experience doing so. Our commitment to member experience has produced an average net promoter score of 57 since inception. More than 95% of our members surveyed would recommend our SmileShop experience to friends and over 20% of our members today come through referrals. We believe we enjoy the largest reach and presence on social media relative to our competitors, with over 500,000 likes on Facebook and over 300,000 followers on Instagram as of June 30, 2019. Clear aligners are a highly considered purchase, and our scale and member satisfaction are important criteria that will enable us to maintain our position as the leading direct-to-consumer clear aligner provider.

Omni-channel presence with a large SmileShop network

With two options for members to start their journey, we empower members to choose how they would like to interact with us. If a member chooses to order a doctor prescribed impression kit, we will mail one directly to their door. Alternatively, we have a network of over 300 SmileShops across the U.S., Puerto Rico, Canada, Australia, and the U.K., which provides an in-person experience to members who prefer that channel.

SmileShops have historically been a key driver in expanding access to care by reducing the friction of purchase and improving our member conversion. Furthermore, our SmileShops require little capital investment, with minimal upfront capital expenditure.

In addition to our stand-alone SmileShops, we are opening SmileShops in partnership with prominent retailers. We have entered into five-year non-exclusive agreements with both CVS Pharmacy, Inc. and Walgreen Co., pursuant to which we have the ability to open up to 1,500 SmileShops within CVS stores and any number of SmileShops within Walgreens stores across the country. With a CVS location within three miles of 70% of Americans and a Walgreens or affiliate location within five miles of 78% of Americans, these relationships will not only further increase the convenience and accessibility of our products in areas where we do not currently have a SmileShop presence, but also improve our brand awareness and provide another touchpoint to increase our member conversion. We are also exploring similar arrangements with other domestic and international retailers.

Exclusive licensed doctor network across all 50 U.S. states, Puerto Rico, Canada, Australia, and the U.K.

We have a network of approximately 240 orthodontists and general dentists across the U.S., Puerto Rico, Canada, Australia, and the U.K. who are fully licensed across these jurisdictions to meet regulatory requirements, and we continue to successfully expand our doctor network to support our growth. In addition, we believe our domestic doctor network is sufficient to support our growth. The doctors in our network evaluate our members' progress throughout treatment, and are available to answer any questions should members need additional assistance.

SmilePay captive financing increases accessibility and reduces purchasing friction

SmilePay is a key element to democratizing access to care and removing price as a limiting factor for our members. As of June 30, 2019, approximately 65% of our members elect to purchase our clear aligners using SmilePay, which does not require a credit check. With SmilePay, a $250 down payment is required up front, which covers the cost of manufacturing the aligners. The remaining cost is financed over 24 months at an average monthly cost of $85 per month. For the year ended December 31, 2018 and the six months ended June 30, 2019, we offered SmilePay at an APR of approximately 17%, which had an associated delinquency rate of approximately 10% of revenue for the year ended December 31, 2018 and approximately 9% of revenue for the six months ended June 30, 2019. We believe SmilePay, as a captive offering, reduces purchasing friction by removing the complex third-party financing process, resulting in higher member conversion and a better overall member experience.

Vertical integration powered by SmileCheck allows us to optimize every step of the member journey

We are the first clear aligner company to build a scalable, integrated technology platform and doctor network for teledentistry. We manage the entire end-to-end process in a member's journey, from the moment a member visits the website all the way through aligner manufacturing, fulfillment, and treatment monitoring by a member's doctor through completion of their treatment. Our proprietary software platform, SmileCheck, supports rapid and efficient communication between our members and their treating doctors, and the clinical and customer care teams.

Managing the member journey from start to finish provides us with a comprehensive understanding of our members and enables us to provide personalized, data-driven insights. It also enables us to quickly test and pilot new solutions, and rapidly implement changes to our platform in order to deliver the best outcome for our members and our business.

Additionally, we believe our expertise in leveraging data and process engineering allows us to continually evolve how we interact with our members, which has resulted in an over 100% increase in member conversion for the year ended December 31, 2018 compared to the year ended December 31, 2016.

The following demonstrates how our vertical integration is critical to the success of our business model:

Visionary founder led company with a history of disrupting incumbents

Our founders have brought a wealth of business and operational knowledge with extensive experience in disrupting industries, particularly in direct-to-consumer offerings. We have built a culture of innovation and passion for creating smiles, supported by data-driven decision making, discipline, and member-centric service, while building multiple competitive advantages. We are experts at gathering and interpreting data to continually re-engineer our processes and improve member conversion and satisfaction. We believe our management team is well positioned to execute our long-term growth strategy for our business and attract and retain best-in-class talent.

Our Growth Strategy

Our mission is to provide everyone with a smile they love. We accomplish this by democratizing access to more affordable and convenient orthodontic care. We believe there is significant opportunity to further grow our member base. We have helped over 700,000 members out of a worldwide opportunity of approximately 500 million members. We plan to grow by continuing to pursue the following key growth strategies:

Increase demand and conversion

Given that we have captured less than 1% of the total market opportunity, we plan to grow our member base by continuing to focus our marketing efforts on the approximately 85% of people globally who have malocclusion. We market our aligners through an omni-channel approach which has more than

doubled our aided awareness since January of 2018, to 38% today, and has increased our referral rates from 15% to 21% over the same time period.

Each month, there are approximately five million unique visitors to our website. Approximately 1% of these visitors purchase aligners, up from 0.5% in 2016. We have been able to double our visitor to aligner conversion over the past two years as a result of our process engineering expertise. This expertise, along with our meticulous attention to each step of the member experience, enables us to continually improve conversion at each of the hundreds of touchpoints throughout the member journey. For example, over the past two years, we have increased SmileShop appointment show rates by 31% and impression kit acceptance rates by 44%. We have been able to accomplish these improvements in conversion through our CRM strategies, educational efforts, technology advancements, and data-driven insights.

We see significant opportunity to continue increasing overall demand for our products and improving conversion at every touchpoint across our member acquisition funnel.

Expand services internationally

We launched in our first international market, Canada, in November 2018, our second international market, Australia, in the second quarter of 2019, and our third international market, the U.K., in the third quarter of 2019. With approximately 75% of the total market opportunity outside of the U.S., we see significant opportunity to grow internationally.

Introduce new products

We remain focused on developing products to further differentiate our offering and disrupt the oral care industry. For instance, we are developing products to further penetrate the oral care market and have already launched numerous ancillary products such as retainers, lip balm, MoveMints, BrightOn premium whitening, and an LED accelerator light to address our members' oral care needs. We believe that our growing suite of products will lengthen our relationship with our members and enhance our recurring stream of revenue.

In the third quarter of 2019, we launched our innovative Nighttime Clear Aligner product into the U.S. market, and we expect to roll out this new product into our other markets throughout the third and fourth quarters of 2019. This proprietary new product, which requires only 10 hours of nightly wear, will enable us to expand our market to customers who are unwilling or unable to wear aligners for the 22-hour daily wear cycle typically required with traditional clear aligner therapy.

Continue SmileShop rollout

SmileShops have been a key driver in expanding access to care by reducing friction of purpose and improving our member conversion. These locations serve as point of destination retail experience, providing members with an omni-channel opportunity to learn more about our aligners. We have over 300 SmileShops across the U.S., Puerto Rico, Canada, Australia, and the U.K., and expect to open approximately 20 new SmileShops per month for the remainder of 2019. In addition to our stand-alone SmileShops, we have entered into five-year non-exclusive agreements with both CVS Pharmacy, Inc. and Walgreens Co., pursuant to which we have the ability to open up to 1,500 SmileShops within CVS stores and any number of SmileShops within Walgreens stores across the country to increase accessibility, brand awareness, and member conversion. We are also exploring similar arrangements with other domestic and international retailers. We utilize a highly disciplined and analytical approach to selecting SmileShop locations that support our brand image and that correlate with our member base.

Leverage data science and technology

With over 700,000 members helped to date, we have one of the largest repositories of data in the oral care sector. Using this data and artificial intelligence, along with other technologies, we believe we can enhance our existing offerings, improve our manufacturing, and produce new products. We will leverage this same information and technology to develop and introduce new products.

Expand business partnerships

We have entered into standard insurance coverage agreements with United Healthcare and Aetna to include coverage for our aligners on an in-network basis, which means our members who participate in these plans can obtain treatment at a lower out-of-pocket cost, after insurance coverage and negotiated discounts, and will no longer need to retroactively submit for reimbursement. Historically, while members may have been able to obtain reimbursement for clear aligner treatment from their insurance provider, our products have not been covered as an in network benefit. These new agreements will decrease the upfront cost to our members and further streamline the complete revenue cycle management process, from eligibility check to payment posting. We are currently negotiating with other large insurance companies for similar arrangements. In addition, we are currently negotiating other business partnerships, such as corporate SmileDays and corporate discount programs, among others.

Selectively pursue M&A opportunities

We plan to leverage our know-how and our platform's expanding scale to selectively pursue acquisitions. Our acquisition strategy is centered on acquiring technologies, products, and capabilities that are highly scalable and that are complementary to our business model.

Sales and Marketing

Our management team has substantial experience successfully marketing direct-to-consumer brands. We market our aligners and other products through an omni-channel approach supported by media mix modeling (MMM) and multitouch attribution modeling (MTA). We currently receive approximately five million unique visitors to our website each month, from which we generate approximately 400,000 email leads. Our marketing approach focuses on both offline activities, mainly television, and online digital marketing. These programs include but are not limited to:

- *Offline Advertising:* We use offline advertising, primarily television advertising, as well as billboards, buses and subways, to create overall brand awareness. We also market through experiential channels, such as corporate events, concerts, and sporting events, spokespeople, and business to business partnerships to enhance and create awareness.

- *Social Media & Paid Advertising:* We manage paid programs across relevant social media and search sites including, but not limited to, Facebook, Instagram, Pinterest, and Google. Our advertising is hyper-targeted based upon interests and demographics, and we use retargeting tools for efficient advertising across the web and online video platforms. We also market online through our network of spokespeople and influencers.

- *Search Engine Marketing:* We manage sophisticated paid campaigns to keep our brand at the top of relevant search pages. We also have a comprehensive search engine optimization strategy which incorporates our ecommerce site and blog, thereby keeping paid search engine costs down and spurring organic search results from tens of thousands of keywords and a library of content.

- *Customer Relationship Management Marketing:* We attract, nurture and maintain leads and members through over 30 custom CRM flows involving email, SMS and direct mail, totaling over 3,000 unique messages. Our CRM platform allows for advanced segmentation of offer and message based upon source, length of lead, and current member behaviors.

- *Earned & Owned Marketing:* We utilize organic social media, earned press and member-generated content by building an ecosystem of members, influencers and evangelists that promote awareness, sales and our member community. We had over 500,000 likes on Facebook and 300,000 followers on Instagram as of June 30, 2019.

SmileShops

SmileShops have been a key driver in expanding access to care by reducing friction of purchase and improving our member conversion. These locations serve as point of destination retail experience, providing members with an omni-channel opportunity to learn more about our aligners. We have over 300 SmileShops across the U.S., Puerto Rico, Canada, Australia, and the U.K., and expect to open approximately 20 new SmileShops per month for the remainder of 2019, including SmileShops in our retail partners described below. We utilize a highly disciplined and analytical approach to selecting SmileShop locations that support our brand image and that correlate with our member base. We target locations based on market characteristics, demographic and psychographic characteristics, and population density.

In addition to our stand-alone SmileShops, we are opening SmileShops in partnership with prominent retailers, such as CVS and Walgreens. Our partnership agreement with CVS, entered into in 2019, provides us with the option to licence store area to open up to 1,500 SmileShops within mutually agreed CVS locations. Our partnership agreement with Walgreens, also entered into in 2019, provides us with the option to licence store area to open SmileShops in mutually agreed Walgreens locations, with no set limit on how many. With a CVS location within three miles of 70% of Americans and a Walgreens or affiliate location within five miles of 78% of Americans, these relationships will increase the convenience and accessibility of our products in areas where we do not currently have a SmileShop presence, improve our brand awareness, and provide another touchpoint to increase our member conversion. Pursuant to the terms of our CVS and Walgreens agreements, we are required to pay CVS or Walgreens, as applicable, a fixed fee per customer scan, subject to a monthly minimum for each location. We are not obligated to open any SmileShops under these agreements. These agreements each have an initial term of five years, plus successive one-year renewal terms under the CVS agreement and five-year renewal terms under the Walgreens agreement, in each case until terminated by either party. We may also terminate each of these agreements with respect to any specific location for convenience. We are exploring similar arrangements with other domestic and international retailers.

To increase access to care, we have also introduced six mobile SmileShops, called SmileBuses, for targeting underserved areas, events, corporations and schools, among other targets, as well as SmileDirectClub pop ups in hotels and other locations. By focusing on areas where there is high demand but no SmileShop location, our SmileBuses support our mission of democratizing access to care.

Treatment Plan Design and Aligner Manufacturing

We produce customized aligners based on a doctor's review of a member's dental and health history, chief complaint, photographs, and a 3D model of the member's mouth resulting from receiving a digital image or physical impression. To produce the customized aligners, we have developed a number of proprietary processes and technologies, including complex software solutions, laser, destructive and white light scanning techniques, stereolithography, 3D printing, and thermoforming. Our manufacturing is performed by Access Dental Lab, LLC, our wholly owned subsidiary.

Treatment plan design

Members have the option of booking an appointment to take a free, in-person 3D oral image at any of our SmileShops, where one of our SmileGuides uses a handheld oral camera that takes approximately 6,000 photos per second to create a highly detailed digital map of the member's smile, or ordering one of our easy-to-use impression kits online and returning their completed impression to our manufacturing

facility. Our trained technicians then use the image or impression to create a draft custom treatment plan that contains the clinical protocols for how the member's teeth will move during treatment. The rules that govern the clinical protocols are contained within our proprietary software that is specifically designed for our direct-to-consumer aligners. Lastly, prior to a locally licensed doctor in our network reviewing the case, all treatment plans go through a quality review with our doctors in Costa Rica.

Initial treatment plan design is conducted primarily at our facilities in San Jose and Cartago, Costa Rica. Costa Rica's status as one of the Americas' leading nations for dental education and expertise enables us to recruit and employ highly qualified personnel in our treatment plan setup facilities. We employ approximately 85 doctors for quality review and approximately 650 treatment plan setup technicians at our facilities in Costa Rica.

After the treatment plan has been designed, a doctor licensed in the member's state reviews the member's oral photos, dental and health history, chief complaint, and treatment plan, to make an independent determination of the member's suitability for clear aligner treatment. The treating doctor can then approve the treatment plan and prescribe the member's clear aligners, request additional clearances from the member's dentist prior to making a determination on treatment, decline the member as a candidate for clear aligners, typically due to an oral health concern or the complexity of the case, or return it to the treatment plan setup team for specified adjustments prior to final approval.

Aligner manufacturing

Our aligners are manufactured at our facilities in Antioch, Tennessee, where we employ approximately 1,250 team members. Every order is custom made, and we believe the complexity inherent in producing our highly customized aligners in large volumes is a barrier to potential competitors. Over the past 12 months we have made significant advances in manufacturing automation to improve quality and reduce cost, and we expect to automate additional manufacturing functions in the future.

We have agreements with the suppliers of the raw materials needed to manufacture our aligners and for the putty used in our at-home impression kits. We also rely on a third party to assemble and distribute our at-home impression kits. There are alternative suppliers available for all raw materials we require and our supply agreements specifically provide for our ability to purchase from these alternate sources if our preferred suppliers are not capable of meeting demand. We also have the ability to secure additional manufacturing from other sources, if required.

Quality control and assurance

We have an extensive team responsible for quality control and assurance. First, we employ approximately 85 doctors in Costa Rica to review every draft treatment plan prior to the plan going to our network of approximately 240 state licensed doctors. Second, the network treating doctor reviews each member's treatment plan, dental and health history, chief complaint, and oral photos to assess candidacy for clear aligners. In addition, the treating doctor can ask for additional information or documentation if desired. Lastly, we have an extensive team of approximately 175 members responsible for reviewing every aligner that is manufactured prior to shipping and maintaining compliance with FDA and other applicable regulations to help ensure a high level of quality in our final product.

Doctor Network

We have a proprietary network of approximately 240 state licensed orthodontists and general dentists across the U.S., Puerto Rico, Canada, Australia, and the U.K. We recruit doctors with the appropriate licenses across jurisdictions to meet regulatory requirements, and continue to expand our network to support our growth. In addition to being in good standing in the jurisdictions where each doctor is licensed to practice dentistry, doctors in our network must have at least 4 years' experience in treating patients with clear aligner therapy. Doctors in our network review member records, evaluate candidacy for treatment,

review, refine and approve treatment plans, prescribe clear aligners, communicate with members, review case progress, order any necessary treatment plan modifications, and are available to answer any questions should members need additional assistance. As we continue to expand internationally, we will expand our doctor network with appropriately licensed professionals. Each of our doctors agrees to a non-compete for a period of 18 months.

Comprehensive Member Care

We provide comprehensive 24/7 customer care to our members through a variety of communication channels, including our website, phone, chat, email and social media as well as self-guided resources such as knowledge-based and how-to videos and articles on our website. We have a dedicated team of approximately 600 customer care team members in Nashville and Costa Rica, including general customer care team members, an advanced customer care team to address more complex questions, and a clinical customer care team of certified dental professionals available to answer clinical questions. In addition, each member's treating doctor is available to answer clinical questions as needed.

We believe that providing timely, responsive support and educational content to our members helps foster an ongoing engagement that builds loyalty to our brand and also enables us to understand member needs as they evolve. Our member community serves as an efficient and engaging platform through which we can deliver customer care and receive feedback from members. We gather and analyze user feedback from all platforms to help inform our design and engineering teams on future enhancements to our products and services. As our member base grows in new geographies, we will continue to focus on building a scalable support infrastructure that enables our members to engage with us through the channel that is most convenient and efficient for their needs.

SmileCheck

All of our member data is stored in our SmileCheck platform, a proprietary central data repository for all medical records, business transactions, and member communications. SmileCheck supports rapid uniform access to, and use of, member information across any internet-connected device.

From a member's standpoint, SmileCheck powers a user-friendly online portal that allows for easy remote access to treatment plan information, SmilePay account details and communications on a convenient, integrated platform that can be accessed whenever and wherever members choose. SmileCheck facilitates real-time, remote sharing of treatment data between our members and their treating doctors, thus avoiding inconvenient, in person-doctor visits. In lieu of in-person visits, members are required to upload dental photos to SmileCheck at least every 90 days, in addition to other information, so that their treating doctor may review their progress.

Our doctor network also uses SmileCheck for case assignment and management. Our software automatically connects each member's case to a doctor licensed in that member's state. Once a case is accepted by the appropriate doctor, that doctor is able to study the members' records, review, refine, and approve treatment plans, prescribe clear aligners, communicate with members, assess case progress and order any necessary treatment plan modifications, all via SmileCheck, as highlighted below.

Research and Development

We have a research and development team with medical device development, dental/orthodontic, data science and other innovation focused backgrounds. Our research and development efforts are primarily focused on new product development for orthodontic and ancillary oral care products as well as data science and manufacturing automation.

Intellectual Property

We have two issued U.S. patents, one allowed U.S. patent, and numerous pending U.S. and global patent applications. These patents and applications cover critical aspects of our process, including impression kit design, the SmileShop process, dental impression model merging, manufacturing automation and process, and our SmileCheck software. Our issued U.S. patents expire in 2037 and 2038, respectively, and our allowed U.S. patent expires in 2039.

We own ten issued U.S. trademark registrations, and have over 35 pending U.S. trademark applications. We also own over 60 issued trademark registrations in Australia, Brazil, Canada, China, India, South Korea, Mexico and the United Kingdom, and have over 150 additional foreign trademark applications currently pending in various countries worldwide. Collectively, our global trademark filings cover our SMILE DIRECT CLUB house marks for use in connection with a wide variety of goods and services related to our business, as well secondary marks (e.g., BRIGHT ON., SMILECHECK and SMILESHOP) and slogans.

We continue to pursue further intellectual property protection through U.S. and non-U.S. patent applications, trademark applications, and non-disclosure and non-compete agreements. We also seek to protect our software, documentation and other written materials under trade secret and copyright laws. There can be no assurance that patents will be issued as a result of any patent application or that patents that have been issued to us or may issue in the future will be found to be valid and enforceable and sufficient to protect our technology or products. We currently have a key licensing agreement with CA Digital gmbH, a leading pioneer in the market for digital orthodontics, for 3D software used in the preparation of treatment plans for our members, which provides us exclusive third-party use of the licensed software on a global basis in connection with direct-to-consumer clear aligner therapy. We do not control the protection of the intellectual property subject to this license and, as a result, we are largely dependent upon our licensor to determine the appropriate strategy for protecting such intellectual property.

Seasonality

Our business does not experience material seasonality fluctuations in the results of our operations and cash flow needs throughout the year. However, we do increase our marketing spend at certain periods of the year, such as January, when members typically have a higher focus on aesthetics, and we experience

corresponding increases in website traffic and SmileShop bookings as a result of these increased marketing efforts. In contrast, the third quarter has historically tended to have less growth relative to other quarters.

Our Team Members and Culture

We have approximately 5,000 team members, including approximately 600 at our headquarters in Nashville, Tennessee, approximately 1,250 at our manufacturing facilities in Antioch, Tennessee, approximately 1,250 at our facilities in San Jose and Cartago, Costa Rica, and approximately 1,750 at SmileShops across the U.S., Puerto Rico, Canada, Australia, and the U.K. Our team members at our Nashville headquarters include our executive team, as well as team members responsible for our customer care, clinical care, marketing, finance, legal, people and organization, information technology, data science, and analytics. Our team members in Antioch, Tennessee are primarily responsible for developing, overseeing and carrying out manufacturing operations, and our team members in Costa Rica are primarily treatment plan setup technicians, licensed orthodontic consultants, and customer care team members. We believe that our relations with our team members are good. We are not a party to any collective bargaining agreements. We also have a network of approximately 240 independent orthodontists and general dentists in all 50 states, Puerto Rico, Canada, Australia, and the U.K., each of whom agree to a non-compete for a period of 18 months.

Our values and culture

We have built a very strong culture at SDC—one rooted in our purposeful mission to provide affordable and convenient access to care and in our values, which we call our Truths to Grin By. Our Truths include the following headlines:

- Stay Curious;
- Think Like A Customer;
- Win As A Team;
- Data, Discussion, Deliver;
- Inspired By Why;
- Better Is Better; and
- Dependability Increases Capability.

Our Truths unite us; they link us to our why and provide an active roadmap for how we do work which imprints them into the DNA of our company. We actively recruit leaders that can sustain and lead by our Truths. Our Team Members know that every voice matters and actively participate in bettering our business each day. Our culture is one where curiosity, adaptability and agility are core tenants. We believe teams drive the business and that dependability and continuous improvement are the expectation. We also manage to have fun which drives engagement and commitment. Our strong purpose, focus on people development with depth and breadth and the ability to create dynamic career paths; all underpinned by inspirational Truths truly make our culture a competitive advantage.

Competition

We compete with a handful of smaller companies that collectively have limited market share in the direct-to-consumer clear aligner industry, including Candid Co., Smilelove and SnapCorrect. To a lesser extent, we also face competition from more well-established competitors in the traditional orthodontic industry, which requires in-person visits, such as Align Technology, Inc. We believe that the principal competitive factors in the market for orthodontic appliances include:

- access and convenience;

- price and financing options;
- ease of use;
- duration and effectiveness of treatment; and
- aesthetic appeal of the treatment method.

We believe that we compete favorably with respect to each of these factors.

Properties

Our corporate headquarters are located in Nashville, Tennessee, where we lease approximately 41,000 and 55,000 square feet of office and operations space in two buildings. We also lease our 131,000 and 35,000 square foot manufacturing facilities in Antioch, Tennessee, and are in the process of leasing space near Austin, Texas, where we expect to open a second manufacturing faciliy in late 2019. We have over 300 SmileShops across the U.S., Puerto Rico, Canada, Australia, and the U.K., all of which are either leased or licensed from our retail partners, and we expect to open approximately 20 new SmileShops per month for the remainder of 2019, including SmileShops in our retail partners. Lastly, we lease our 41,000 square foot facility in San Jose, Costa Rica and our 32,000 square foot facility in Cartago, Costa Rica. Management believes the terms of the leases are consistent with market standards and were arrived at through arm's-length negotiation.

Regulatory Matters

Our aligners, retainers, whitening products, and impression kits are considered medical devices and, accordingly, are subject to rigorous regulation by government agencies in the U.S. and other countries in which we sell our products. These regulations vary from country to country but cover, among other things, the following activities with respect to medical devices:

- design, development and manufacturing;
- testing, labeling, content and language of instructions for use and storage;
- product storage and safety;
- marketing, sales and distribution;
- pre-market clearance and approval;
- record keeping procedures;
- advertising and promotion;
- recalls and field safety corrective actions;
- post-market surveillance;
- post-market approval studies; and
- product import and export.

FDA regulation

In the U.S., numerous laws and regulations govern the processes by which medical devices are developed, manufactured, brought to market and marketed. These include the FD&C Act and its implementing regulations issued by FDA, among others. Unless an exemption applies, each medical device commercially distributed in the United States requires FDA clearance of a 510(k) premarket notification ("510(k) clearance"), granting of a *de novo* request, or approval of an application for premarket approval ("PMA"). In general, under the FD&C Act, medical devices are classified in one of three classes on the

basis of the controls necessary to reasonably assure their safety and effectiveness. A medical device's classification determines the level of FDA review and approval to which the device is subject before it can be marketed to consumers:

- Class I devices, the lowest-risk FDA device classification, include devices with the lowest risk to the patient and are those for which safety and effectiveness can be assured by adherence to FDA's medical device general controls, including labeling, establishment registration, device product listing, adverse event reporting, and, for some products, adherence to good manufacturing practices through FDA's Quality System Regulations.

- Class II devices, moderate-risk devices, also require compliance with general controls and in some cases, special controls as deemed necessary by FDA to ensure the safety and effectiveness of the device. These special controls may include performance standards, particular labeling requirements, or post-market surveillance obligations. While most Class I devices are exempt from the 510(k) premarket notification requirement, typically a Class II device also requires pre-market review and 510(k) clearance as well as adherence to the Quality System Regulations/good manufacturing practices for devices.

- Class III devices, high-risk devices that are often implantable or life-sustaining, also require compliance with the medical device general controls and Quality System Regulations, and generally must be approved by FDA before entering the market through a PMA application. Approved PMAs can include post-approval conditions and post-market surveillance requirements, analogous to some of the special controls that may be imposed on Class II devices.

Our manufacturing quality system is required to be in compliance with the Quality System Regulations enforced by FDA and similar regulations enforced by other worldwide regulatory authorities. FDA's Quality System Regulations require manufacturers to follow stringent design, testing, process control, documentation, and other quality assurance procedures.

Our retainers and whitening products are Class I devices, which may be marketed in the U.S. without premarket clearance or approval by FDA and are subject to general controls, including labeling, establishment registration, and adherence to good manufacturing practices through FDA's Quality System Regulations.

We market our clear aligner products in the U.S. pursuant to 510(k) clearance as they are a Class II medical device. The manufacture, marketing and distribution of our aligners and other medical device products are subject to continuing regulation and enforcement by FDA and other government authorities, which includes routine FDA inspections of our facilities to determine compliance with facility registration requirements, product listing requirements, medical device reporting regulations, and Quality System Regulations, among others. If FDA finds that we have failed to comply with Quality System Regulations or other legal or regulatory requirements, it or other government agencies may institute a wide variety of enforcement actions against us, ranging from Warning Letters to more severe sanctions, including but not limited to financial penalties, withdrawal of 510(k) clearances already granted, and criminal prosecution. We have has passed our International Organization for Standardization ("ISO") and Medical Device Single Audit Program ("MDSAP") certification process and have added the U.S. to our ISO/MDSAP certification.

The 510(k) process

Under the 510(k) process, the manufacturer must submit to FDA a premarket notification demonstrating that the device is "substantially equivalent" to either a device that was legally marketed prior to May 28, 1976, the date upon which the Medical Device Amendments of 1976 were enacted, and for which a PMA is not required, a device that has been reclassified from Class III to Class II or Class I, or another commercially available device that was cleared through the 510(k) process. To be "substantially

equivalent," the proposed device must have the same intended use as the predicate device, and either have the same technological characteristics as the predicate device or have different technological characteristics and not raise different questions of safety or effectiveness than the predicate device. Clinical data is sometimes required to support substantial equivalence.

After a 510(k) premarket notification is submitted, FDA determines whether to accept it for substantive review. If it lacks necessary information for substantive review, FDA will refuse to accept the 510(k) notification. If it is accepted for filing, FDA begins a substantive review. By statute, FDA is required to complete its review of a 510(k) notification within 90 days of receiving the 510(k) notification. As a practical matter, clearance often takes longer, and clearance is never assured. FDA may require further information, including clinical data, to make a determination regarding substantial equivalence, which may significantly prolong the review process. If FDA agrees that the device is substantially equivalent to a predicate device currently on the market, it will grant 510(k) clearance to commercially market the device.

Post-market regulation

After a device is cleared or approved for marketing, numerous and extensive regulatory requirements may continue to apply. These include but are not limited to:

- annual and updated establishment registration and device listing with FDA;
- Quality System Regulation requirements, which require manufacturers to follow stringent quality assurance procedures during all aspects of the design and manufacturing process;
- restrictions on sale, distribution, or use of a device;
- labeling, advertising, promotion, and marketing regulations, which require that promotion is truthful, not misleading, and provide adequate directions for use and that all claims are substantiated, and also prohibit the promotion of products for unapproved or "off-label" uses and impose other restrictions on labeling;
- clearance or approval of product modifications to legally marketed devices that could significantly affect safety or effectiveness or that would constitute a major change in intended use;
- medical device reporting regulations, which require that a manufacturer report to FDA if a device it markets may have caused or contributed to a death or serious injury, or has malfunctioned and the device or a similar device that it markets would be likely to cause or contribute to a death or serious injury if the malfunction were to recur;
- correction, removal, and recall reporting regulations, and FDA's recall authority;
- complying with the federal law and regulations requiring Unique Device Identifiers on devices; and
- post-market surveillance activities and regulations, which apply when deemed by FDA to be necessary to protect the public health or to provide additional safety and effectiveness data for the device.

FDA has broad regulatory compliance and enforcement powers. If FDA determines that we failed to comply with applicable regulatory requirements, it can take a variety of compliance or enforcement actions, which may result in any of the following sanctions:

- warning letters, untitled letters, fines, injunctions, consent decrees, and civil penalties;
- recalls, withdrawals, or administrative detention, or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing or delaying requests for 510(k) marketing clearance or PMA approvals of new products or modified products;

- withdrawing 510(k) clearances or PMA approvals that have already been granted;
- refusal to grant export or import approvals for our products; or
- criminal prosecution.

International regulation

The Canadian Food and Drugs Act, and the Medical Device Regulations issued thereunder, provide for regulation by Health Canada of the manufacture, labeling, packaging, distribution, sale, and advertisement of medical devices. Our aligners are regulated as a Class II medical device under the Canadian Medical Device Regulations, which require, among other things, that Class II medical device manufacturers selling medical devices hold a medical device establishment license and file various reports. We received our Canadian ISO/MDSAP certification in March 2019. In light of our recent ISO/MDSAP certification, we believe that we are in substantial compliance with applicable Canadian regulations and do not anticipate having to make any material expenditures as a result of Health Canada or other currently applicable regulatory requirements. Under Canadian regulation, manufacturing facilities are subject to periodic inspections by regulatory authorities and must comply with device safety and effectiveness requirements as required by the Medical Devices Regulations and Health Canada. To that end, we have implemented controls and procedures intended to ensure that our Access Dental Lab Quality System meets FDA's and Health Canada's requirements. We have an extensive Quality Assurance team at Access Dental Lab, which has passed its ISO and MDSAP certification process.

There is currently no premarket government review of medical devices in the European Economic Area ("EEA") However, all medical devices placed on the market in the EEA must meet the relevant essential requirements laid down in Annex I of Directive 93/42/EEC concerning medical devices, or the Medical Devices Directive. The most fundamental essential requirement is that a medical device must be designed and manufactured in such a way that it will not compromise the clinical condition or safety of patients, or the safety and health of users and others. In addition, the device must achieve the performances intended by the manufacturer and be designed, manufactured, and packaged in a suitable manner. The European Commission has adopted various standards applicable to medical devices. These include standards governing common requirements, such as sterilization and safety of medical electrical equipment, and product standards for certain types of medical devices. There are also harmonized standards relating to design and manufacture. While not mandatory, compliance with these standards is viewed as the easiest way to satisfy the essential requirements as a practical matter. Compliance with a standard developed to implement an essential requirement also creates a rebuttable presumption that the device satisfies that essential requirement.

In the U.K. and EEA, our aligners and retainers are considered Class I custom made medical devices and are not required to have a CE mark certification acknowledging conformity with health and safety protection standards for sales of those products into the U.K. and the EEA. We have a CE mark for sales of our impression kits into the U.K. and EEA.

On April 5, 2017, the European Parliament passed the Medical Devices Regulation (Regulation 2017/745), which repeals and replaces the EU Medical Device Directive. The Medical Devices Regulation, among other things, is intended to establish a uniform, transparent, predictable, and sustainable regulatory framework across the EEA for medical devices and ensure a high level of safety and health while supporting innovation. The Medical Devices Regulation will become applicable three years after publication (in 2020). Once applicable, the new regulations will, among other things:

- strengthen the rules on placing devices on the market and reinforce surveillance once they are available;
- establish explicit provisions on manufacturers' responsibilities for the follow-up of the quality, performance, and safety of devices placed on the market;

- improve the traceability of medical devices throughout the supply chain to the end-user or patient through a unique identification number;

- set up a central database to provide patients, healthcare professionals, and the public with comprehensive information on products available in the E.U.; and

- strengthen rules for the assessment of certain high-risk devices, such as implants, which may have to undergo an additional check by experts before they are placed on the market.

In Australia and New Zealand, our retainers and aligners are considered custom-made medical devices and are exempt from inclusion in the Australian Register of Therapeutic Goods ("ARTG"), although we have submitted our notification to be listed on the ARTG and with New Zealand's Medicines and Medical Devices Safety Authority ("Medsafe") on the Web Assisted Notification of Devices ("WAND") database, respectively, so that we have the right to ship those products into Australia and New Zealand. Impression kits are considered Class I devices in Australia and New Zealand, and we are registered and listed with these countries to ship impression kits to our members there.

Quality System Regulations

Our manufacturing quality system is required to be in compliance with the Quality System Regulations enforced by FDA and similar regulations enforced by other worldwide regulatory authorities. FDA's Quality System Regulations require manufacturers to follow stringent design, testing, process control, documentation, and other quality assurance procedures. If FDA finds that we have failed to comply with Quality System Regulations or other legal or regulatory requirements, it or other government agencies may institute a wide variety of enforcement actions against us, ranging from Warning Letters to more severe sanctions, including but not limited to financial penalties, withdrawal of 510(k) clearances already granted, and criminal prosecution. In addition, under Canadian regulation, manufacturing facilities are subject to periodic inspections by regulatory authorities and must comply with device safety and effectiveness requirements as required by the Medical Devices Regulations and Health Canada. To that end, we have implemented controls and procedures intended to ensure that our Access Dental Lab Quality System meets FDA's and Health Canada's requirements. We have an extensive Quality Assurance team at Access Dental Lab.

State professional regulation

Our ability to conduct business in each state is dependent in part upon that particular state's treatment of remote healthcare delivery under such state's laws, rules and policies governing the practice of dentistry, which are subject to changing political, regulatory and other influences. Orthodontists and dentists who provide professional services to a patient via teledentistry must, in most instances, hold a valid license to practice or to provide treatment in the state in which the patient is located. In addition, certain states require an orthodontist or dentist providing telehealth services to be physically located in the same state as the patient. Failure to comply with these laws and regulations can give rise to civil or criminal penalties.

Two state dental boards have established new rules or interpreted existing rules in a manner that purports to limit or restrict our ability to conduct our business as currently conducted. The Georgia Board of Dentistry passed a new rule that requires a licensed dentist to be present when 3D oral images are taken by a dental assistant, and the Board of Dental Examiners of Alabama has interpreted existing rules to require "direct supervision" (meaning the dentist must be physically present somewhere in the building) for the taking of a digital image. In both Georgia and Alabama, we have filed lawsuits in Federal court, against the dental boards and their individual members alleging, among other things, violations of the Sherman Act, interfering with our business model. The Georgia Board of Dentistry has voluntarily agreed not to take any action against us pending a final resolution of the matter. In Alabama, we have obtained a Temporary Restraining Order precluding the Board of Dental Examiners from taking any action against us

until a final disposition of the matter has occurred. The Alabama court upheld our ability to move forward against individual dental board members, in their official capacity. Currently, trial is set for the fall of 2019. In New Jersey, the Dental Association has filed a lawsuit against us alleging that we are engaging in the illegal corporate practice of dentistry, without the support or inclusion of the New Jersey Dental Board as a party. We have filed a motion to dismiss on the grounds that the New Jersey Dental Association does not have standing to make such a claim, which motion was denied. We have filed a motion to reconsider that denial and will file an appeal if necessary. In addition, a national orthodontic association has met with various dental boards across the country in an effort to advocate for new rules and regulations that could have the effect of interfering with our business model. To date, none of these efforts have resulted in rules and regulations being passed and we have engaged lobbyists to assist in educating policy makers about our positions. Recently, legislation has been introduced in a handful of states specifically supporting and promoting teledentistry and telehealth, including but not limited to requiring insurance companies to pay for such services. We continually monitor these proposed laws and other legal and regulatory developments to understand their potential impact on our operations.

DSO regulation

We are engaged by our network of doctors to provide a suite of non-clinical administrative support services, including access to and use of SmileCheck, as a dental support organization, or DSO. As a result, we are required to register in those states that require registrations of DSOs, which currently include Nevada, Kansas, and Texas.

Our network of doctors are licensed to practice dentistry in their respective state and are engaged as employees or independent contractors of various professional corporations. These PCs are owned by independent doctors and are registered to engage in business in their respective states. It is through these PCs that the clinical services for clear aligner therapy are rendered to our members. We enter into a suite of agreements with each of the PCs to provide its DSO services. In addition, we are also a supplier of the clear aligner products to these PCs and enter into a Supply Agreement with each of the PCs accordingly.

Consumer credit compliance

Our SmilePay program subjects us to complex consumer financial protection laws and regulations, among others. We must comply with all applicable U.S. federal and state regulatory regimes, including but not limited to those governing consumer retail installment credit transactions. Certain U.S. federal and state laws generally regulate the rate or amount of finance charges and fees and require certain disclosures for consumer finance transactions. In particular, we may be subject to laws such as:

- state laws and regulations that impose requirements related to credit disclosures and terms, credit discrimination, credit reporting, debt servicing, and collection;
- the Truth in Lending Act and Regulation Z promulgated thereunder, and similar state laws, which require certain disclosures to customers regarding the terms and conditions of their transactions;
- Section 5 of the Federal Trade Commission Act, which prohibits unfair and deceptive acts or practices in or affecting commerce, Section 1031 of the Dodd-Frank Consumer Financial Protection Act, which prohibits unfair, deceptive, or abusive acts or practices in connection with any consumer financial product or service, and similar state laws that prohibit unfair or deceptive acts or practices;
- the Equal Credit Opportunity Act and Regulation B promulgated thereunder and state non-discrimination laws, which generally prohibit creditors from discriminating against credit applicants on the basis of, among other things, race, color, sex, age, religion, national origin, marital status, the fact that all or part of the applicant's income derives from any public assistance program, or the fact that the applicant has in good faith exercised any right under the federal Consumer Credit Protection Act;

- the Fair Credit Reporting Act as amended by the Fair and Accurate Credit Transactions Act, and similar state laws, which promote the accuracy, fairness, and privacy of information in the files of consumer reporting agencies;

- the Fair Debt Collection Practices Act and similar state, and local debt collection laws, which provide guidelines and limitations on the conduct of debt collectors and creditors in connection with the collection of consumer debts;

- Title V of the Gramm-Leach-Bliley Act and similar state privacy laws, which include limitations on financial institutions' disclosure of nonpublic personal information about a consumer to nonaffiliated third parties, in certain circumstances require financial institutions to limit the use and further disclosure of nonpublic personal information by nonaffiliated third parties to whom they disclose such information, and require financial institutions to disclose certain privacy policies and practices with respect to information sharing with affiliated and nonaffiliated entities as well as to safeguard personal customer information, and other privacy laws and regulations;

- the Bankruptcy Code and similar state insolvency laws, which limit the extent to which creditors may seek to enforce debts against parties who have filed for protection or relief from claims of creditors;

- the Servicemembers Civil Relief Act and similar state laws, which allow military members and certain dependents to suspend or postpone certain civil obligations, as well as limit applicable rates, so that the military member can devote his or her full attention to military duties;

- the Electronic Fund Transfer Act and Regulation E promulgated thereunder, which provide disclosure requirements, guidelines, and restrictions on the electronic transfer of funds from consumers' deposit accounts;

- the Electronic Signatures in Global and National Commerce Act and similar state laws, particularly the Uniform Electronic Transactions Act, which authorize the creation of legally binding and enforceable agreements utilizing electronic records and signatures and, with consumer consent, permits required disclosures to be provided electronically; and

- the Bank Secrecy Act, which relates to compliance with anti-money laundering, customer due diligence, and record-keeping policies and procedures.

Other U.S. federal and state laws

We are also subject to various laws inside and outside the U.S. concerning our relationships with healthcare professionals and government officials, price reporting and regulation, the promotion, sales and marketing of our products and services, the importation and exportation of our products, reimbursement for our products and services, the operation of our facilities, and the distribution of our products. Initiatives sponsored by government agencies, legislative bodies, and the private sector regarding these matters, including efforts to limit the growth of healthcare expenses generally, are ongoing in markets where we do business. It is not possible to predict at this time the long-term impact of such cost containment and other measures on our future business.

We contract with orthodontists, dentists, or professional corporations to deliver our products and services to their patients. These contractual relationships are subject to various state laws that prohibit the practice of dentistry by lay entities or persons and are intended to prevent unlicensed persons from interfering with or influencing the orthodontist's or dentist's professional judgment. In addition, laws in various states also generally prohibit the sharing of professional services income with nonprofessional or business interests. Activities other than those directly related to the delivery of healthcare may be considered an element of the practice of dentistry in many states. Under the corporate practice of dentistry restrictions of certain states, non-clinical decisions and activities may implicate the restrictions on the

corporate practice of dentistry. Further, certain states have requirements for Dental Support Organizations, or DSOs, such as us. We have registered as a DSO in all states in which we are required to do so. We continually monitor state requirements as to what constitutes the practice of dentistry and take steps to ensure that the orthodontists and dentists who utilize our services and teledentistry platform handle all clinical aspects of their patients' care to ensure we do not violate those laws and regulations.

As a participant in the health care industry we are subject to extensive and frequently changing regulation under many other laws administered by governmental entities at the federal, state, and local levels, some of which are, and others of which may be, applicable to our business. Furthermore, our network of orthodontists and general dentists is also subject to a wide variety of laws and regulations that could affect the nature and scope of their relationships with us. Laws regulating medical device manufacturers and health care providers cover a broad array of subjects.

Several states have fraud and abuse and consumer protection laws that apply to healthcare items or services reimbursed by any third party payor, including commercial insurers, not just those reimbursed by a federally funded healthcare program, or apply regardless of payor. The scope of these laws and the interpretations of them vary from state to state and are enforced by state courts and regulatory authorities, each with broad discretion. A determination of liability under such laws could result in fines and penalties and restrictions on our ability to operate in these jurisdictions.

Health information privacy and security laws

There are numerous U.S. federal and state laws and regulations related to the privacy and security of PII, including health information. Among others, the federal Health Insurance Portability and Accountability Act of 1996, as amended by HITECH, and their implementing regulations, which we collectively refer to as HIPAA, establish privacy and security standards that limit the use and disclosure of PHI and require covered entities and business associates to implement administrative, physical, and technical safeguards to ensure the confidentiality, integrity, and availability of individually identifiable health information in electronic form, among other requirements. We are regulated as a covered entity under HIPAA.

Violations of HIPAA may result in civil and criminal penalties. We must also comply with HIPAA's breach notification rule which requires notification of affected patients and HHS, and in certain cases of media outlets, in the case of a breach of unsecured PHI. The regulations also require business associates of covered entities to notify the covered entity of breaches by the business associate.

State attorneys general also have the right to prosecute HIPAA violations committed against residents of their states, and HIPAA standards have been used as the basis for the duty of care in state civil suits, such as those for negligence or recklessness in misusing personal information. In addition, HIPAA mandates that HHS conduct periodic compliance audits of HIPAA covered entities and their business associates for compliance.

Many states in which we operate and in which our patients reside also have laws that protect the privacy and security of sensitive and personal information, including health information. These laws may be similar to or even more protective than HIPAA and other federal privacy laws. For example, the laws of the State of California, in which we operate, are more restrictive than HIPAA. Where state laws are more protective than HIPAA, we must comply with the state laws we are subject to, in addition to HIPAA. California recently passed the California Consumer Privacy Act or CCPA, which will go into effect January 1, 2020. While information we maintain that is covered by HIPAA may be exempt from the CCPA, other records and information we maintain on our members may be subject to the CCPA. In certain cases, it may be necessary to modify our planned operations and procedures to comply with these more stringent state laws. Not only may some of these state laws impose fines and penalties upon violators, but also some, unlike HIPAA, may afford private rights of action to individuals who believe their personal information has been misused. In addition, state and federal privacy laws subject to frequent change.

In addition to HIPAA and state health information privacy laws, we may be subject to other state and federal privacy laws, including laws that prohibit unfair privacy and security practices and deceptive statements about privacy and security, laws that place specific requirements on certain types of activities, such as data security and texting, and laws requiring holders of personal information to maintain safeguards and to take certain actions in response to a data breach.

Foreign data protection, privacy, and other laws and regulations are often more restrictive than those in the U.S. The E.U., for example, traditionally has imposed stricter obligations under its laws and regulations relating to privacy, data protection and consumer protection than the U.S. In May 2018, the GDPR governing data practices and privacy in the E.U., became effective and replaced the data protection laws of the individual member states. GDPR requires companies to meet stringent requirements regarding the handling of personal data of individuals in the E.U. These more stringent requirements include expanded disclosures to inform members about how we may use their personal data, increased controls on profiling members, and increased rights for members to access, control and delete their personal data. In addition, there are mandatory data breach notification requirements. The law also includes significant penalties for non-compliance, which may result in monetary penalties of up to 20 million Euros or 4% of a group's worldwide turnover, whichever is higher. GDPR and other similar regulations require companies to give specific types of notice and informed consent is required for the placement of a cookie or similar technologies on a user's device for online tracking for behavioral advertising and other purposes and for direct electronic marketing, and the GDPR also imposes additional conditions in order to satisfy such consent, such as a prohibition on pre-checked consents. It remains unclear how the U.K. data protection laws or regulations will develop in the medium to longer term and how data transfer to the U.K. from the E.U. will be regulated. Outside of the E.U., there are many countries with data protection laws, and new countries are adopting data protection legislation with increasing frequency. Many of these laws may require consent from members for the use of data for various purposes, including marketing, which may reduce our ability to market our products.

We are subject to PIPEDA and similar provincial laws in Canada. PIPEDA is the federal privacy law for private-sector organizations. It sets out the ground rules for how businesses must handle personal information in the course of commercial activity. Under PIPEDA, we must obtain an individual's consent when we collect, use or disclose that individual's personal information. Individuals have the right to access and challenge the accuracy of their personal information held by an organization, and personal information may only be used for the purposes for which it was collected. If an organization intends to use personal information for another purpose, it must again obtain that individual's consent. Failure to comply with PIPEDA could result in significant fines and penalties or possible damage awards for the tort of public humiliation.

There is no harmonized approach to these laws and regulations globally. Consequently, we increase our risk of non-compliance with applicable foreign data protection laws and regulations as we continue our international expansion. We may need to change and limit the way we use personal information in operating our business and may have difficulty maintaining a single operating model that is compliant. Compliance with such laws and regulations will result in additional costs and may necessitate changes to our business practices and divergent operating models, limit the effectiveness of our marketing activities, adversely affect our business, results of operations, and financial condition, and subject us to additional liabilities.

Environmental Matters

We have no material expenditures for compliance with Federal, State or local provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment.

Legal Proceedings

In the ordinary course of conducting our business, we are involved, from time to time, in various contractual, product liability, intellectual property, and other claims and disputes incidental to our business. Litigation is subject to many uncertainties, the outcome of individual litigated matters is not predictable with assurance, and it is reasonably possible that some of these matters may be decided unfavorably to us. It is the opinion of management that the ultimate liability, if any, with respect to our current litigation outstanding will not have a material adverse effect on our business, results of operations, and financial condition.

In March 2019, a final arbitration award was issued in an arbitration proceeding brought by us alleging that one of our former members, Align Technology, Inc., had violated certain restrictive covenants set forth in our operating agreement. The arbitrator ruled that Align had breached both the non-competition and confidentiality provisions of our operating agreement and that, as a result, Align was required to close its Invisalign Stores, return all of our confidential information, and sell its membership units to us or our non-Series A unitholders for an amount equal to the balance of Align's capital account as of November 2017. The arbitrator also extended the non-competition period to which Align is subject through August of 2022 and prohibited Align from using our confidential information in any manner going forward. We are paying Align $54 million, pursuant to a promissory note payable over 24 months through March 2021, in full redemption of Align's Pre-IPO Units pursuant to this ruling.

The ruling has been confirmed in its entirety in the circuit court of Cook County, Chicago, Illinois, but Align continues to object to the purchase price and repurchase documentation despite the arbitration ruling and its confirmation, and has since filed a subsequent arbitration proceeding disputing the $54 million redmption amount and seeking an additional $43 million.

We periodically receive communications from state and federal regulatory and similar agencies inquiring about the nature of our business activities, licensing of professionals providing services, and similar matters. Such matters are routinely concluded with no financial or operational impact on us. Currently there are no actions with any agency that are expected to have a material adverse effect on our business, results of operations, and financial condition.

Some state dentistry boards have established new rules or interpreted existing rules in a manner that limits or restricts our ability to conduct our business as currently conducted in other states. We have filed actions in federal court in Alabama and Georgia against the state dental boards in those states, alleging violations by the dental boards of the Sherman Act and the Commerce Clause. In addition, a national orthodontic association has filed Amicus Briefs in both the Georgia and Alabama litigations. See "*Risk Factors—Risks Related to Legal and Regulatory Matters—Our business could be adversely affected by ongoing professional and legal challenges to our business model or by new state actions restricting our ability to provide our products and services in certain states*" and "*—Regulatory Matters—State professional regulation*."

MANAGEMENT

Directors and Executive Officers

The following table sets forth the names, ages and positions of our directors and executive officers as of the date of this prospectus.

Name	Age	Position
David Katzman	59	Chief Executive Officer and Chairman
Steven Katzman	56	Chief Operating Officer and Director
Kyle Wailes	35	Chief Financial Officer
Jordan Katzman	30	Co-Founder and Director
Alexander Fenkell	30	Co-Founder and Director
Susan Greenspon Rammelt	54	General Counsel, Secretary, and Director
Kay Oswald	41	President of International
Richard J. Schnall	50	Director
Dr. William H. Frist	67	Director
Carol J. Hamilton	67	Director
Richard F. Wallman	68	Director

David Katzman has served as our Chief Executive Officer and Chairman of our board since we were founded in 2014. Mr. Katzman is the founder and Managing Partner of Camelot Venture Group, a private investment group that invests primarily in direct-to-consumer brands, such as Quicken Loans and 1-800 Contacts. Mr. Katzman has served on the boards of several direct-to-consumer online companies, including consumer electronics company Sharper Image Online, and has previously served on the boards of diabetic supply company Simplex Healthcare, online promotions company ePrize, bedding company CleanRest, and online mortgage company Quicken Loans (as Vice Chairman). Mr. Katzman also served as Vice Chairman of the National Basketball Association's Cleveland Cavaliers and as Managing Partner of sports graphics company Fathead. Prior to founding Camelot in 1998, Mr. Katzman led a variety of consumer-oriented companies before becoming President of Home Depot S.O.C., a division of Home Depot USA specializing in the processing of special orders for Home Depot stores nationwide. We believe that Mr. Katzman is qualified to serve as a member of our board of directors due to his significant business leadership, investment, and financial experience, in particular in direct-to-consumer brands, as well as his perspective as one of our founding members and as a large stockholder.

Steven Katzman has served as our Chief Operating Officer since May 2018 and as a member of our board since 2017. Prior to becoming Chief Operating Officer, Mr. Katzman served as our Chief Financial Officer from March 2018 to May 2018. For the past ten years, Mr. Katzman has also served as an advisor to Camelot, where he provides strategic overview across all portfolio companies and opportunities. Mr. Katzman also co-founded and serves as Chief Executive Officer of Steve's Blinds & Wallpaper, a family-owned, direct-to-consumer e-commerce business selling custom made blinds and wallpaper. Prior to these positions, Mr. Katzman served for nearly 20 years as Chief Executive Officer and President of American Blind and Wallpaper Factory and its related family of direct-to-consumer custom home decor companies. We believe that Mr. Katzman is qualified to serve as a member of our board of directors due to his significant business leadership, investment, and financial experience, in particular in direct-to-consumer brands, as well as his perspective as a stockholder.

Kyle Wailes has served as our Chief Financial Officer since May 2018. Prior to joining SmileDirectClub, Mr. Wailes was with Intermedix, a leading provider of technology-enabled revenue cycle and practice management solutions for health care providers, where he served in different financial capacities beginning in 2012, including as Vice President of Strategy, Business Development and Analytics from 2012-2013, Senior Vice President from 2013-2015, Executive Vice President from 2015-2017, and Chief Financial Officer from 2017 to 2018. Prior to joining Intermedix, Mr. Wailes was a member in the health care

investment banking division at Citigroup, focusing on health care services and health care information technology companies. Prior to that, Mr. Wailes was an Associate with Altaris Capital Partners, a private equity investment firm focused on the healthcare industry. Mr. Wailes started his career with Thomas Weisel Partners in the healthcare investment banking group. Mr. Wailes graduated from Brown University with a degree in pre-medicine and neuroscience and holds an M.B.A. from the Kellogg School of Management at Northwestern University.

Jordan Katzman is our co-founder and has served as a member of our board since inception. Mr. Katzman first gained critical online e-commerce experience co-founding two technology companies with Mr. Fenkell, Illinoisrenewal.org and Want, before shifting to the direct-to-consumer strategy model via SmileDirectClub. We believe that Mr. Katzman is qualified to serve as a member of our board of directors due to the perspective and experience he brings as our co-founder and as a large stockholder, as well as his business experience.

Alexander Fenkell is our co-founder and has served as a member of our board since inception. Mr. Fenkell first gained critical online e-commerce experience co-founding two technology companies with Mr. Jordan Katzman, Illinoisrenewal.org and Want, before shifting to the direct-to-consumer strategy model via SmileDirectClub. We believe that Mr. Fenkell is qualified to serve as a member of our board of directors due to the perspective and experience he brings as our co-founder and as a large stockholder, as well as his business experience.

Susan Greenspon Rammelt has served as our General Counsel since April 2018, our Secretary since March 2019, and a member of our board since August 2019. Ms. Greenspon Rammelt has also served as General Counsel of Camelot since April 2018. Prior to joining SmileDirectClub, Ms. Greenspon Rammelt was a corporate law partner at Foley & Lardner LLP since 2017, where she represented domestic and international enterprises. Prior to that, Ms. Greenspon Rammelt was a partner at Dentons US LLP. Ms. Greenspon Rammelt has 30 years of experience as a corporate attorney, focusing on mergers and acquisitions, financings, restructurings, corporate governance, and general corporate counseling, particularly in the retail and beauty industries. We believe Ms. Greenspon Rammelt is qualified to serve as a member of our board of directors due to her extensive legal and business expertise.

Kay Oswald has served as our President of International since November 2018. Prior to joining SmileDirectClub, Mr. Oswald served in different regional and global executive roles with Whirlpool Corporation, including as Category Leader Europe, Middle East and Africa from 2010-2013, Global Business Unit Director Health & Nutrition at KitchenAid from 2013-2015, and most recently as General Manager Asia-Pacific at KitchenAid. Prior to joining Whirlpool, Mr. Oswald held various marketing and commercial roles across Europe with Philips Consumer Lifestyle.

Richard J. Schnall has been a member of our board since August 2018. Mr. Schnall is a partner at private equity firm Clayton, Dubilier & Rice. He has been with CD&R for 23 years and, on January 1, 2020, will become co-president of the firm. Mr. Schnall currently serves on the boards of several health-related companies, including agilon health, Carestream Dental, Drive DeVilbiss Healthcare, Healogics, and naviHealth. Previously, Mr. Schnall worked in the investment banking divisions of Smith Barney & Co. and Donaldson, Lufkin & Jenrette. We believe that Mr. Schnall is qualified to serve as a member of our board of directors due to his extensive experience with health-related and other companies, as well as his strong financial and investing experience.

Senator William H. Frist, M.D. is expected to join our board of directors upon consummation of this offering. Dr. Frist is a heart and lung transplant surgeon, former U.S. Senator from Tennessee (1995-2007), and former Majority Leader of the U.S. Senate. He has been a partner at Cressey & Company, L.P., a private health services investment firm, since 2007, and is the founding partner of Frist Cressey Ventures. He is Co-Chair of the Health Project at the Bipartisan Policy Center. Dr. Frist also serves on the boards of the Robert Wood Johnson Foundation, The Nature Conservancy, and three publicly traded companies: AECOM, Teladoc Health, Inc., and Select Medical Holdings Corporation. We believe that Dr. Frist is

qualified to serve as a member of our board of directors due to his significant public company director experience, his financial experience and expertise, and his health services experience and expertise.

Carol J. Hamilton is expected to join our board of directors upon consummation of this offering. Ms. Hamilton has served as Group President of Acquisitions for L'Oreal USA since 2018, prior to which she served as Group President of the Luxe Division from 2016-2018 and President of the Luxe Division from 2008-2015. Ms. Hamilton has held numerous other titles during her 34-year tenure at L'Oreal, including President and Deputy General manager of L'Oreal Paris. Ms. Hamilton is a member of the national board of directors of UNICEF, chair of the New York Regional board of UNICEF, and chair of the Harvard's Women's Leadership Board, in addition to spearheading a number of other causes on behalf of women and children. We believe that Ms. Hamilton is qualified to serve as a member of our board of directors due to her extensive business experience, in particular with cosmetic brands.

Richard F. Wallman is expected to join our board of directors upon consummation of this offering. From 1995 through his retirement in 2003, Mr. Wallman served as Senior Vice President and Chief Financial Officer of Honeywell International, Inc., a diversified technology company, and AlliedSignal, Inc., a diversified technology company (prior to its merger with Honeywell International, Inc.). Prior to joining AlliedSignal, Inc., Mr. Wallman served as Controller of International Business Machines Corporation. Mr. Wallman serves on the board of directors of Wright Medical, Inc., Charles River Laboratories International, Inc., Extended Stay America, Inc., Roper Technologies, Inc., all publicly traded companies in the United States, and Boart Longyear, a publicly traded company in Australia. Mr. Wallman previously served on the board of directors of Convergys Corporation and ESH Hospitality, Inc., all publicly traded companies. We believe that Mr. Wallman is qualified to serve as a member of our board of directors due to his prior public company experience, including as Chief Financial Officer of Honeywell, his significant public company director experience, and his financial experience and expertise.

Election of Officers

Each executive officer serves at the discretion of our board of directors and holds office until his or her successor is duly appointed or until his or her earlier resignation or removal. Jordan Katzman is David Katzman's son, and Steven Katzman is David Katzman's brother. There are no other family relationships among any of our directors or executive officers.

Composition of the Board of Directors

Our business and affairs are managed under the direction of our board of directors. Following the completion of this offering, we expect our board of directors to initially consist of nine directors, of whom Mr. Schnall, Dr. Frist, Ms. Hamilton, and Mr. Wallman will be independent. Each of our current directors will continue to serve as a director until the election and qualification of his or her successor or until his or her earlier death, resignation, or removal. The authorized number of directors may be changed by resolution of our board of directors. Vacancies on our board of directors can be filled by resolution of our board of directors.

Upon the consummation of this offering, our board of directors will be divided into three classes, each serving staggered, three-year terms:

- our Class I directors will be Ms. Greenspon Rammelt, Mr. D. Katzman, and Mr. Schnall, and their terms will expire at the first annual meeting of stockholders following the date of this prospectus;
- our Class II directors will be Mr. Fenkell, Dr. Frist, and Mr. Wallman, and their terms will expire at the second annual meeting of stockholders following the date of this prospectus; and
- our Class III directors will be Ms. Hamilton, Mr. J. Katzman, and Mr. S. Katzman, and their terms will expire at the third annual meeting of stockholders following the date of this prospectus.

As a result, only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective terms.

Background and Experience of Directors

Upon completion of this offering, our nominating and corporate governance committee will be responsible for reviewing with our board of directors, on an annual basis, the appropriate characteristics, skills, and experience required for the board of directors as a whole and its individual members. In evaluating the suitability of individual candidates (both new candidates and current members), the nominating and corporate governance committee, in recommending candidates for election, and the board of directors, in approving (and, in the case of vacancies, appointing) such candidates, will take into account many factors, including the following:

- personal and professional integrity;
- ethics and values;
- experience in corporate management, such as serving as an officer or former officer of a publicly held company;
- experience in the industries in which we compete;
- experience as a board member or executive officer of another publicly held company;
- diversity of background and expertise and experience in substantive matters pertaining to our business relative to other board members;
- conflicts of interest; and
- practical and mature business judgment.

Controlled Company Exception

In connection with the Reorganization Transactions and prior to the consummation of the offering, the Voting Group will enter into the Voting Agreement, pursuant to which the Voting Group will give David Katzman, our Chairman and Chief Executive Officer, sole voting, but not dispositive, power over the shares of our Class A and Class B common stock beneficially owned by the Voting Group. See "*Certain Relationships and Related Party Transactions—Voting Agreement*." As a result, because more than 50% of the voting power in the election of our directors will be held by an individual, group, or another company, we will be a "controlled company" within the meaning of the corporate governance standards of NASDAQ. As a controlled company, we may elect not to comply with certain corporate governance requirements, including the requirements that, within one year of the date of the listing of our Class A common stock: (1) a majority of our board of directors consists of "independent directors," as defined under the rules of such exchange, (2) our board of directors has a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities, and (3) our board of directors has a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities. For at least some period following this offering, we intend to utilize these exemptions. As a result, immediately following this offering we do not expect that the majority of our directors will be independent or that, other than the audit committee, any committees of our board of directors will be composed entirely of independent directors. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of NASDAQ. In the event that we cease to be a "controlled company" and our Class A common stock continues to be listed on NASDAQ, we will be required to comply with these provisions within the applicable transition periods.

Board Committees

Our board of directors has established an audit committee, a compensation committee, and a nominating and corporate governance committee. The composition and responsibilities of each committee are described below. Our board of directors may also establish from time to time any other committees that it deems necessary or desirable. Members serve on these committees until their resignation or until otherwise determined by our board of directors.

Audit committee

Our audit committee will consist of Mr. Wallman, Dr. Frist, and Mr. Schnall, with Mr. Wallman serving as chair. Our audit committee will be responsible for, among other things:

- selecting and hiring our independent auditors, and approving the audit and non-audit services to be performed by our independent auditors;
- assisting the board of directors in evaluating the qualifications, performance, and independence of our independent auditors;
- assisting the board of directors in monitoring the quality and integrity of our financial statements and our accounting and financial reporting;
- assisting the board of directors in monitoring our compliance with legal and regulatory requirements;
- reviewing with management and our independent auditors the adequacy and effectiveness of our internal control over financial reporting processes;
- assisting the board of directors in monitoring the performance of our internal audit function;
- reviewing with management and our independent auditors our annual and quarterly financial statements;
- reviewing and overseeing all transactions between us and a related person for which review or oversight is required by applicable law or that are required to be disclosed in our financial statements or SEC filings, and developing policies and procedures for the committee's review, approval and/or ratification of such transactions;
- establishing procedures for the receipt, retention, and treatment of complaints received by us regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters; and
- preparing the audit committee report that the rules and regulations of the SEC require to be included in our annual proxy statement.

The SEC rules and the NASDAQ rules require us to have one independent audit committee member upon the listing of our Class A common stock on NASDAQ, a majority of independent directors within 90 days of the effective date of the registration statement, and all independent audit committee members within one year of the effective date of the registration statement. Mr. Wallman, Dr. Frist, and Mr. Schnall each qualify as an independent director under the corporate governance standards of NASDAQ and the independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Compensation committee

Upon completion of this offering, we expect our compensation committee will consist of Mr. D. Katzman, Mr. Fenkell, and Mr. Wallman, with Mr. Katzman serving as chair. The compensation committee will be responsible for, among other things:

- reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer, evaluating our Chief Executive Officer's performance in light of those goals and objectives, and, either as a committee or together with the other independent directors (as directed by the board of directors), determining and approving our Chief Executive Officer's compensation level based on such evaluation;
- reviewing and approving, or making recommendations to the board of directors with respect to, the compensation of our other executive officers, including annual base salary, bonus and equity-based incentives, and other benefits;
- reviewing and recommending to the board of directors the compensation of our directors;
- reviewing and discussing with management our "Compensation Discussion and Analysis" disclosure required by SEC rules;
- preparing the compensation committee report required by the SEC to be included in our annual proxy statement; and
- reviewing and making recommendations with respect to our equity and equity-based compensation plans.

Nominating and corporate governance committee

Our nominating and corporate governance committee will consist of Mr. S. Katzman, Dr. Frist, Ms. Hamilton and Mr. D. Katzman, with Mr. S. Katzman serving as chair. The nominating and corporate governance committee will be responsible for, among other things:

- assisting our board of directors in identifying prospective director nominees and recommending nominees to the board of directors;
- overseeing the evaluation of the board of directors and management;
- reviewing developments in corporate governance practices and developing and recommending a set of corporate governance guidelines; and
- recommending members for each committee of our board of directors.

Compensation Committee Interlocks and Insider Participation

Decisions regarding the compensation of our executive officers have historically been made by a compensation committee of our board. Mr. David Katzman, who is our Chief Executive Officer, and Mr. Steven Katzman, who is our Chief Operating Officer, generally participate in discussions and deliberations of the board regarding executive compensation.

Upon completion of this offering, the members of our compensation committee will be Mr. D. Katzman, Mr. Fenkell, and Mr. Wallman. None of the members of our compensation committee will have at any time been one of our executive officers or employees.

None of our executive officers currently serves, or has served during the last completed fiscal year, as a member of the board of directors or compensation committee (or other committee performing equivalent functions) of any entity that has one or more executive officers serving on our board of directors or compensation committee.

Code of Ethics

We will adopt a new Code of Business Conduct and Ethics that applies to all of our officers, directors, and employees, including our principal executive officer, principal financial officer, principal accounting officer, and controller, or persons performing similar functions, which will be posted on our website. Our Code of Business Conduct and Ethics is a "code of ethics," as defined in Item 406(b) of Regulation S-K. We will make any legally required disclosures regarding amendments to, or waivers of, provisions of our code of ethics on our website. The information contained in, or that can be accessed through, our website is not incorporated by reference and is not part of this prospectus.

EXECUTIVE AND DIRECTOR COMPENSATION

Introduction

This section discusses the compensation awarded to, earned by, or paid to the following three executive officers, who we have determined to be our named executive officers ("NEOs") for 2018. For 2018, our NEOs are our Chief Executive Officer and our next two most highly compensated executive officers other than our Chief Executive Officer who were serving as executive officers as of December 31, 2018.

Named Executive Officers for 2018

David Katzman—Chief Executive Officer
Steven Katzman—Chief Operating Officer
Susan Greenspon Rammelt—General Counsel and Secretary

Prior to this offering, our board of directors was responsible for reviewing our executive compensation program and determining the compensation of our NEOs. Following this offering, the compensation committee, in consultation with the board of directors and, with respect to NEOs other than our CEO, in consultation with our Chairman and CEO, will be responsible for reviewing our executive compensation program and determining the compensation of our NEOs, including setting base salaries, approving corporate goals and objectives relating to the compensation of our NEOs, evaluating their performance in light of those objectives, and determining and approving their compensation, including equity-based compensation awards, as well as determining compensation policies for our other executive officers. Following this offering, the compensation committee, in consultation with the board of directors and our Chairman and CEO, will develop and maintain a compensation framework that is appropriate and competitive for a public company and may establish executive compensation objectives and programs that are different from those currently in place.

Our Executive Compensation Program

For 2018, our executive compensation program was structured to drive performance, with a particular focus on long-term results. Our board of directors utilized traditional elements of compensation that reflect our company's overall success, including base salary, annual cash incentives, and equity-based incentives. We believe that our executive compensation program promotes the success of our company and leads to better financial results, which, in turn, results in better returns for our stockholders.

We have engaged Camelot Venture Group, or Camelot, to provide management services, including the services of our NEOs. David Katzman's services are governed by agreement with Camelot, while the services of Steven Katzman and Susan Greenspon Rammelt are governed by a Management Agreement, dated as of January 1, 2015, and amended from time to time (the "Management Agreement"), between us and Camelot. The Management Agreement provides for the compensation allocable to Steven Katzman and Susan Greenspon Rammelt (as detailed below in *"—Summary Compensation Table"*), in addition to several other individuals providing management services to us.

Philosophy and Objectives of Our Executive Compensation Program

The fundamental principles followed by our board of directors in designing and implementing compensation programs for the NEOs are to:

1. support our core values, strategic mission, and vision;

2. align, to an appropriate extent, the interests of our executive officers with those of our stockholders;

3. attract, motivate, and retain highly skilled executive officers with the business experience and acumen necessary for achieving our long-term business objectives; and

4. link executive officer pay to short-term and long-term company performance.

Our board of directors aims to provide a total compensation package that is comparable to that of similar companies in the geographic area in which our NEOs are located. Our board of directors relies on various sources of compensation information to assess the competitiveness of our executive compensation program, including purchased competitive surveys, with data specific to the high growth medtech and direct-to-consumer industry for companies of similar revenue, employee population, and location. As part of this process, we measure the competitiveness of our executive compensation program by comparing a market midpoint developed from the relevant market data against actual pay levels for each executive officer position. We also review the mix of our compensation components with respect to fixed versus variable, short-term versus long-term, and cash versus equity-based pay. This information is then presented to our board of directors for its review and use.

Process For Determining Executive Compensation

Board of directors: Our board of directors reviews our executive compensation program and determines the compensation of our NEOs. Following this offering, we will have a compensation committee which will be tasked with, among other things, determining, in consultation with the board of directors and our Chairman and CEO, the compensation of our NEOs, other than our CEO.

Benchmarking and independent compensation consultant: Our board of directors did not identify a specific peer group of companies or engage a compensation consultant with respect to the compensation of our NEOs for 2018. In connection with this offering we have engaged a compensation consultant to advise us with respect to the compensation of our NEOs. Following this offering, we may continue to engage this or a different compensation consultant to assist in developing a compensation framework that is appropriate and competitive for a public company, which may lead to the establishment of executive compensation objectives and programs that are different from those currently in place.

Elements of Compensation

For 2018, the compensation that we paid to our NEOs consisted primarily of base salary and short-term and long-term incentive opportunities, as described more fully below. In addition, our NEOs are eligible for participation in Camelot's welfare benefit plans, and we reimburse Camelot for providing our NEOs with certain welfare benefits and perquisites.

Base salary

Base salary represents the fixed portion of each NEO's compensation, and is intended to provide compensation for expected day-to-day performance. 2018 annual base salary rates for Steven Katzman and Susan Greenspon Rammelt were $300,000 (increased to $400,000, as described below) and $500,000, respectively, which became effective January 1, 2018 for Steven Katzman, and April 6, 2018 for Susan Greenspon Rammelt. The following table sets forth the current annual base salaries for each of our NEOs, effective as of the completion of this offering. Such 2019 base salary rates were determined in consultation with our board of directors.

NEO	2019 Annual Base Salary
David Katzman	$ 1,000,000
Steven Katzman	$ 600,000
Susan Greenspon Rammelt	$ 700,000

Prior to the offering, David Katzman provided services to several entities on behalf of Camelot, including us, for which Camelot compensated him, but not on a per-entity basis. As such, there was no discernable amount of compensation paid to David Katzman for the discrete services he provided to us. In connection with the offering, David Katzman will become an employee and will receive a salary and potential bonus, as detailed herein.

Short-term incentive compensation

In 2018, our NEOs participated in an annual bonus program under which each NEO was eligible to receive an annual cash performance bonus based upon Company performance and such NEO's individual performance and contribution to our success, as determined by our board of directors. The target and maximum bonus levels for each NEO for 2018 were as follows. We do not provide threshold bonus levels for our annual bonus program.

NEO	Target Annual Bonus (% of annual base salary)	Maximum Annual Bonus (% of annual base salary)
David Katzman	N/A	N/A
Steven Katzman	50%	50%
Susan Greenspon Rammelt	100%	100%

In 2019, our board of directors performed a comprehensive review of SmileDirectClub and individual performance for 2018 in connection with its determination of annual cash performance bonuses for our NEOs. Our annual bonus program is not based on any predetermined metrics, but instead was based on an evaluation of Company and individual performance in 2018, and included factors such as operational performance, the achievement of both individual goals and Company initiatives, and further development of our strategic plan.

Based on this evaluation our board of directors determined that Steven Katzman met expectations on the factors noted above, and correspondingly approved his annual cash bonus. The actual annual cash performance bonuses paid to our NEOs for 2018 performance are set forth in the column entitled "Bonus" in *"—Summary Compensation Table"* below. In 2018, Susan Greenspon Rammelt's bonus was guaranteed at target level.

In 2019, our NEOs will again participate in an annual bonus program under which each NEO will be eligible to receive an annual cash performance bonus based upon Company performance and such NEO's individual performance and contribution to our success. The target and maximum bonus levels for each NEO for 2019 as of completion of this offering are as follows. We do not provide threshold bonus levels for our annual bonus program.

NEO	Target Annual Bonus (% of annual base salary)	Maximum Annual Bonus (% of annual base salary)
David Katzman	100%	100%
Steven Katzman	50%	50%
Susan Greenspon Rammelt	50%	50%

In addition, in connection with the Reorganization Transactions described herein, we intend to pay cash bonuses to certain officers.

Equity-based compensation

On March 31, 2017, we granted 2,191 units in SDC Financial to Steven Katzman, pursuant to a Restricted Unit Grant Agreement, to provide him with an opportunity to share in the long-term success of SDC Financial. The units represent a profits interest in SDC Financial that allows him to share in our profits. To align Steven Katzman's interests with our long-term interests, such units are subject to monthly

vesting over the course of 60 months provided he continues to provide services to us or for our benefit through each such vesting date. In addition, no distribution of profits will be made until a distribution threshold of $500 million distributed to the other members of SDC Financial is met.

On April, 15, 2018, we granted 108 units in SDC Financial to Susan Greenspon Rammelt, pursuant to a Restricted Unit Grant Agreement, to provide her with an opportunity to share in the long-term success of SDC Financial. The units represent a profits interest in SDC Financial that allows her to share in our profits. To align Susan Greenspon Rammelt's interests with our long-term interests, such units are subject to annual vesting over the course of five years provided she continues to provide services to us or for our benefit through each such vesting date. In addition, no distribution of profits will be made until a distribution threshold of $1 billion distributed to the other members of SDC Financial is met.

On July 19, 2019, we amended both Steven Katzman's and Susan Greenspon Rammelt's grants to provide partial accelerated vesting immediately prior to the closing of an initial public offering, including this offering. Immediately prior to the closing of this offering, both will be deemed to have vested in 60% of their respective grants, with the remaining 40% of the grants vesting on a monthly basis over the next 24 months, subject to each continuing to provide services to us through each applicable vesting date.

The grant-date value of the awards are found in the column entitled "Stock Awards" in *"—Summary Compensation Table"* below.

Kyle Wailes, our Chief Financial Officer, entered into an Incentive Bonus Agreement under which he will be entitled to a payment of approximately $16.8 million (based on the number of shares and midpoint of the range set forth on the cover page of this prospectus), 60% of which vests upon the completion of this offering and 40% of which will vest on a monthly basis over the next 24 months. The amount payable will be paid in cash and/or shares of Class A common stock.

In connection with this offering, our board of directors has determined to grant equity awards to certain key team members and directors, including the NEOs, in the form of restricted stock units ("RSUs") and options. David Katzman, Jordan Katzman, and Alexander Fenkell will receive equity awards with an approximate aggregate grant date fair market value of $5.0 million, $2.0 million, and $2.0 million, respectively, that will vest in equal annual installments over three years from the date of grant. Steven Katzman, Susan Greenspon Rammelt, and Kyle Wailes will receive equity awards with an approximate aggregate grant date value of $2.0 million, $1.5 million, and $2.0 million, respectively, that will vest on the three-year anniversary of the grant date.

All other compensation

401(k) plan: Camelot participates in a 401(k) retirement savings plan (the "401(k) plan"). Under the 401(k) plan, participants, including our NEOs, who satisfy certain eligibility requirements may defer a portion of their compensation, within prescribed tax limits, on a pre-tax basis through contributions to the 401(k) plan. For 2017 and 2018, we reimbursed Camelot for contributing certain amounts to the NEOs' 401(k) accounts, as detailed in the column entitled "All Other Compensation" in *"—Summary Compensation Table"* below. These contributions are fully vested when made.

Travel expenses: In addition, we provide certain reimbursements for our NEOs' expenses relating to commuting between their residences and our Nashville, Tennessee headquarters, as well as the use of apartments, certain meals, rental cars, and other expenses while in Tennessee. For the year ended December 31, 2018, we paid $419,000 for commuting expenses, including use of a private plane.

Anticipated Equity Compensation Additions to Our Compensation Program Following the Offering

In connection with this offering, we have adopted the SmileDirectClub, Inc. 2019 Omnibus Incentive Plan (the "Omnibus Plan") and the SmileDirectClub, Inc. 2019 Stock Purchase Plan (the "SPP"). The following are summaries of the material terms of the Omnibus Plan and SPP and are qualified in their

entirety by reference to the Omnibus Plan and SPP, each of which are filed as exhibits to the registration statement of which this prospectus forms a part.

2019 Omnibus Incentive Plan

On August 29, 2019, our board of directors adopted our Omnibus Plan, which was also approved by our sole stockholder on August 29, 2019. No awards may be granted under our Omnibus Plan prior to the completion of this offering. Our Omnibus Plan will terminate on August 29, 2029, unless terminated earlier by our board of directors. Our Omnibus Plan allows for the grant of incentive stock options to our team members, including team members of any subsidiary, and for the grant of nonstatutory stock options, restricted stock awards, RSUs, and other equity-based or cash-based awards to team members, directors, and consultants, including team members and consultants of any parent, subsidiary, or affiliate.

Authorized shares: The maximum number of shares of our Class A common stock that may be issued under our Omnibus Plan is equal to the greater of 48,184,413 or 10% of the authorized, issued, and outstanding shares of our Class A common stock as of the effective date of our Omnibus Plan. The maximum number of shares of our Class A common stock that may be issued on the exercise of incentive stock options under our Omnibus Plan is also the greater of 48,140,224 shares or 9.99% of such maximum number of shares issuable under the Omnibus Plan. Shares of our Class A common stock subject to awards granted under our Omnibus Plan that expire, are forfeited, are retained by us in order to satisfy any exercise price or any tax withholding, are repurchased us at their original purchase price, or are settled in cash do not reduce the number of shares available for issuance under our Omnibus Plan. Further, shares of our Class A common stock covered by awards granted in connection with the assumption, replacement, conversion, or adjustment of outstanding equity-based awards in the context of a corporate acquisition or merger shall not reduce the number of shares available for issuance under our Omnibus Plan.

In addition, the number of shares of our Class A common stock reserved for issuance under our Omnibus Plan will automatically increase on the first day of each fiscal year, commencing on January 1, 2020 and ending on (and including) January 1, 2029, in an amount equal to 5% of the total number of shares of our Class A common stock outstanding on the last day of the calendar month before the date of each automatic increase, or a lesser number of shares determined by our board of directors.

Non-employee director compensation limit: The maximum number of shares of our Class A common stock subject to stock awards (and of cash subject to cash-based awards) granted under the Omnibus Plan or otherwise during any one calendar year to any non-employee director, taken together with any cash fees paid by us to such non-employee director during such calendar year for service on our board of directors, will not exceed $750,000 in total value; provided, however, that such maximum will instead be $1,500,000 for the first year in which a non-employee director serves on our board of directors (or the second year, if such non-employee director does not receive any awards under the Omnibus Plan during the first year).

Plan administration: Our board of directors or the compensation committee of our board of directors, acting as the plan administrator, administers our Omnibus Plan and the awards granted under it. The plan administrator may also delegate to one or more of our officers the authority to make awards under the Omnibus Plan to team members (other than officers) and consultants, and to otherwise administer the Omnibus Plan, within parameters specified by the plan administrator. Under our Omnibus Plan, the plan administrator has the authority to determine and amend the terms of awards and the applicable award agreements, including:

- selecting the team members, consultants, or directors to receive such awards;
- determining the fair market value of shares of our Class A common stock underlying such awards and setting the exercise or purchase price of such awards, if any;
- setting the number of shares or amount of cash subject to each such award;

- determining the vesting conditions applicable to each such award, and providing for the acceleration of awards in its discretion;
- providing for the accrual of dividends or dividend equivalents on awards (provided that no payment in respect thereof may be made prior to the vesting of an award);
- determining whether all or a portion of an equity-based award should be settled in cash instead of in shares of our Class A common stock; and
- amending the terms of outstanding awards (with the consent of any recipient whose rights would be materially and adversely affected by such amendment), including adjusting the vesting of an award, reducing the exercise price of a stock option, or canceling stock options in exchange for stock options with a lower exercise price, restricted stock awards, RSUs, cash, or other property.

Stock options: Incentive stock options and nonstatutory stock options are granted under stock option agreements adopted by the plan administrator. The plan administrator determines the exercise price for stock options within the terms and conditions of the Omnibus Plan, provided that the exercise price of a stock option generally cannot be less than 100% of the fair market value of a share of our Class A common stock on the date of grant. Options granted under the Omnibus Plan vest based on vesting criteria specified in the stock option agreement as determined by the plan administrator.

Restricted stock unit awards: RSUs are granted under restricted stock unit award agreements adopted by the plan administrator. An RSU may be settled by cash, delivery of stock, or a combination of cash and stock, as deemed appropriate by the plan administrator. Additionally, dividend equivalents may be credited in respect of shares covered by an RSU. RSUs granted under the Omnibus Plan vest based on vesting criteria specified in the restricted stock unit award agreement as determined by the plan administrator.

Restricted stock awards: Restricted stock awards are granted under restricted stock award agreements adopted by the plan administrator. A restricted stock award may be awarded in consideration for services or may be offered by the plan administrator for purchase. The plan administrator determines the terms and conditions of restricted stock awards, including vesting and forfeiture terms. If a participant's service relationship with us ends for any reason, we may receive any or all of the shares of Class A common stock held by the participant that have not vested as of the date the participant terminates service with us through a forfeiture condition or a repurchase right (at the original purchase price).

Other awards: The plan administrator may grant other cash-based, equity-based, or equity related awards. The plan administrator will set the number of shares or the amount of cash under the award and all other terms and conditions of such awards. Such other awards granted under the Omnibus Plan vest based on vesting criteria specified in the award agreement as determined by the plan administrator.

Changes to capital structure: In the event there is a specified type of change in our capital structure, such as a stock split, reverse stock split, or recapitalization, proportionate adjustments will be made to (1) the number and class of shares available for issuance under the Omnibus Plan (including pursuant to incentive stock options), and (2) the number and class of shares, and the exercise price, strike price, or repurchase price, if applicable, of all outstanding awards.

Corporate transactions: Our Omnibus Plan provides that in the event of certain specified significant corporate transactions, generally including (i) a sale of all or substantially all of our assets, (ii) a merger, consolidation or other similar transaction of the Company with or into another entity, or (iii) a person or group becoming the beneficial owner of more than 50% of our then outstanding voting power (subject to certain exclusions), each outstanding award will be treated as the plan administrator determines. Such determination may, without limitation, provide for one or more of the following: (A) the assumption, continuation or substitution of such outstanding awards by the Company, the surviving corporation or its

parent, (B) the cancellation of such awards in exchange for a payment to the recipients equal to the excess of the fair market value of the shares subject to such awards over the exercise price of such awards (if any), or (C) the cancellation of any outstanding awards for no consideration. The plan administrator is not obligated to treat all awards (or portions thereof), even those that are of the same type, or all recipients, in the same manner, and is not obligated to obtain the consent of any recipient to effectuate the treatment described above.

Transferability: Under our Omnibus Plan, awards are generally not transferable (other than by will or the laws of descent and distribution), except as otherwise provided under our Omnibus Plan or the applicable award agreements.

Plan amendment or termination: Our board of directors has the authority to amend or terminate our Omnibus Plan, although certain material amendments would require the approval of our stockholders, and amendments that would materially and adversely affect the rights of any recipient would require the consent of such recipient with respect to his or her awards.

Stock Purchase Plan

On August 29, 2019, our board of directors adopted our SPP, which was also approved by our sole stockholder on August 29, 2019. No awards may be granted under our SPP prior to the completion of this offering. The SPP permits our team members to contribute up to a specified percentage of base salary and commissions to purchase shares of our Class A common stock at a discount. Our SPP will terminate on August 29, 2029, unless terminated earlier by our board of directors. The purpose of the SPP is to facilitate our team members' participation in the ownership and economic progress of SmileDirectClub by providing our team members with an opportunity to purchase shares of our Class A common stock.

Authorized shares: Subject to adjustment, the greater of 7,227,661 shares or 1.5% of our Class A common stock are available for sale under the SPP. A participant may not purchase more than a maximum of $25,000 worth of shares of our Class A common stock during any single offering period (calculated based on the closing price of shares on the first date of the offering period).

In addition, the number of shares of our Class A common stock reserved for issuance under our SPP will automatically increase on the first day of each fiscal year, commencing on January 1, 2020 and ending on (and including) January 1, 2029, in an amount equal to 1% of the total number of shares of our Class A common stock outstanding on the last day of the calendar month before the date of each automatic increase, or a lesser number of shares determined by our board of directors.

Administration: Our board of directors or a committee of members of the board will administer the SPP and will have full and exclusive authority to:

- construe, interpret, and apply the terms of the SPP;
- determine eligibility (subject to Section 423 of the Internal Revenue Code); and
- adjudicate all disputed claims filed under the SPP.

Eligibility: Our team members who are employed on the first day of any offering period may participate in the SPP, excluding team members who (i) have not been regular team members for, at least, 30 days prior to the offering period (excluding the first offering period where all full-time, non-seasonal team members will be eligible regardless of the amount of time the individual has been employed by us), (ii) are customarily employed 20 hours or less per week, or (iii) are customarily employed not more than five months in any calendar year. In addition, no team member will be eligible to participate in the SPP if, immediately after the grant of an option to purchase shares under the SPP, that team member would own 5% of the total combined voting power or value of all classes of our common stock. In addition, team members who are citizens or residents of a foreign jurisdiction will be prohibited from participating in the

SPP if the grant of an option to such team members would be prohibited under the laws of such foreign jurisdiction or if compliance with the laws of such foreign jurisdiction would cause the SPP to violate the requirements of Section 423 of the Internal Revenue Code.

Participation: In order to participate in the SPP, a team member who is eligible at the beginning of an offering period will authorize payroll deductions of up to 30% of base salary and commissions on an after-tax basis for each pay date during the offering period. For the initial offering period, team members will be automatically enrolled. A participant may not make any separate cash payment into his or her account, but may alter the amount of his or her payroll deductions during an offering period and may withdraw from participation.

No participant may accrue options to purchase shares of our Class A common stock at a rate that exceeds $25,000 in fair market value of our stock (determined as of the first day of the offering period during which such rights are granted) for each calendar year in which such rights are outstanding at any time.

Offering Periods: The SPP provides for offering periods every six months, with purchases being made on the last trading day of each offering period. The initial offering period under the SPP will commence on the effective date of this offering and will terminate on April 30, 2020.

Purchases: On the last day of an offering period, also referred to as the exercise date, a participant's accumulated payroll deductions are used to purchase shares of our Class A common stock. The maximum number of full shares subject to option shall be purchased for such participant at the applicable purchase price with the accumulated payroll deductions (and contributions) in his or her account.

Participants are not entitled to any dividends or voting rights with respect to options to purchase shares of our Class A common stock under the SPP. Shares received upon exercise of an option shall be entitled to receive dividends on the same basis as other outstanding shares of our Class A common stock.

Withdrawal and termination of employment: A participant can withdraw all, but not less than all, of the payroll deductions and other contributions credited to his or her account for the applicable offering period by delivery of notice prior to the exercise date for such offering period. If a participant's employment is terminated on or before the exercise date (including due to retirement or death), the participant will be deemed to have elected to withdraw from the SPP, and the accumulated payroll deductions held in the participant's account will be returned to the participant or his or her beneficiary (in the event of the participant's death).

Adjustments upon changes in capitalization and certain transactions: In the event of a merger, reorganization, consolidation, recapitalization, dividend or distribution, stock split, reverse stock split, spin-off or other similar transaction, or other change in corporate structure affecting shares of our Class A common stock or their value, our board of directors, in its sole discretion, is authorized to take action to:

- terminate outstanding options in exchange for an amount of cash equal to the amount that would have been obtained if such options were currently exercisable;
- provide for the assumption of outstanding options by a successor or survivor corporation (or a parent or subsidiary) or the substitution of similar rights covering such successor or survivor (or a parent or subsidiary);
- make adjustments to the number and type of common stock subject to outstanding options under the SPP or to the terms and conditions of outstanding options and options which may be granted in the future; and/or
- shorten the offering period then in progress and set as the new exercise date the date immediately prior to the date of any transaction or event described above and provide for necessary procedures to effectuate such actions.

Amendment and termination: Our board of directors may amend, alter, suspend, discontinue, or terminate the SPP at any time and for any reason, except that our board of directors may not, without stockholder approval, increase the maximum number of shares of Class A common stock that may be issued under the SPP (except pursuant to or in connection with a change in capitalization or other transaction summarized above). Except as required to comply with Section 423 of the Internal Revenue Code, as required to obtain a favorable tax ruling from the Internal Revenue Service, or as specifically provided in the SPP, no such amendment, alteration, suspension, discontinuation, or termination of the SPP may be made to an outstanding option which adversely affects the rights of any participant without the consent of such participant.

U.S. federal income tax consequences: The SPP and the options to purchase shares of our Class A common stock granted to participants under the SPP are intended to qualify under the provisions of Sections 421 and 423 of the Internal Revenue Code. Under these provisions, no income will be taxable to a participant until the shares purchased under the SPP are sold or otherwise disposed of. Upon a sale or other disposition of the shares, the participant's tax consequences will generally depend upon his or her holding period with respect to the shares. If the shares are sold or disposed of more than two years after the first day of the relevant offering period and one year after the date of acquisition of the shares, the participant will recognize ordinary income equal to the lesser of (1) an amount equal to 15% of the fair market value of the shares as of the date of option grant or (2) the excess of the fair market value of the shares at the time of such sale or disposition over the exercise price of the option. Any additional gain on such sale or disposition will be treated as long-term capital gain. We are generally not allowed a tax deduction for such ordinary income or capital gain.

If shares are disposed of before the expiration of these holding periods, the difference between the fair market value of such shares at the time of purchase and the exercise price will be treated as income taxable to the participant at ordinary income rates in the year in which the sale or disposition occurs, and we will generally be entitled to a tax deduction in the same amount in such year.

Change in Control Severance Agreements

We have entered into certain change in control severance agreements with the individual NEOs whereby each is entitled to certain payments, rights and benefits in connection with a termination of employment by us without "Cause" or by the NEO for "Good Reason" (both as defined below). To qualify for any benefits under such agreement the termination of employment must occur within the time period beginning three months before and ending 12 months following a change in control, and the NEO must execute, deliver to us, and not revoke a release of claims. If the NEO complies with the applicable requirements, the NEO will be entitled to the following accrued benefits:

- any earned but unpaid base salary through the date of termination of employment;
- any accrued but unused vacation pay through the date of termination of employment;
- any unreimbursed expenses incurred by the NEO through the date of termination; and
- such fully vested and non-forfeitable employee benefits, if any, to which the NEO may be entitled under our employee benefit plans.

In addition, the NEO will be entitled to the following severance benefits:

- a lump-sum severance payment in an amount equal to (x) 18-24 months of the NEO's annual then-current base salary and (y) 100% of the NEO's annual target bonus;
- if the NEO participates in our medical plans and elects to continue to receive group health insurance coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), we will either directly pay or reimburse the NEO for all monthly COBRA premiums, whether monthly

or in a lump-sum cash payment, at our sole discretion, incurred by the NEO on behalf of both the NEO and such NEO's dependents for a period of 18-24 months;

- in the event that the NEO's equity awards that vest solely based on time are not assumed, converted, or replaced, full vesting acceleration for such awards;

- in the event that the NEO's equity awards that have performance-based vesting requirements are not assumed, converted, or replaced, where the performance goals have been determined to be achieved in whole or in part as of the termination date but the awards remain subject to time-based vesting, full vesting acceleration for such awards;

In the event that the NEO's equity awards that have performance-based vesting requirements are not assumed, converted, or replaced, where the performance goals have not yet been determined to be achieved as of the termination date, a pro rata portion of the award shall be determined to be earned and vested based on our actual performance measured against the applicable performance goals through the date of the consummation of the change in control and the number of days that have elapsed in the performance period through the change in control.

The individual agreements define "Cause" as follows: "'Cause' for termination of the Participant's Continuous Service Status will exist if the Participant's Continuous Service Status is terminated for any of the following reasons: (i) Participant's willful failure to perform his or her duties and responsibilities to the Company or Participant's violation of any written Company policy; (ii) Participant's commission of any act of fraud, embezzlement or dishonesty, or any other misconduct that has caused or is reasonably expected to result in injury to the Company (including, for the avoidance of doubt, reputational harm); (iii) Participant's unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom the Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company; (iv) Participant's material breach of any of his or her obligations under any written agreement or covenant with the Company; (v) Participant's commission of a felony or other crime involving moral turpitude; or (vi) Participant's gross negligence in connection with his or her performance of services. The determination as to whether a Participant's Continuous Service Status has been terminated for Cause shall be made in good faith by the Company and shall be final and binding on the Participant. The foregoing definition does not in any way limit the Company's ability to terminate a Participant's employment or consulting relationship at any time."

The individual agreements define "Good Reason" as follows: "'Good Reason' means the occurrence, without the Participant's written consent, of any one or more of the following events or circumstances: (i) the Participant's duties or responsibilities are materially diminished in a manner which is inconsistent with the provisions of this Agreement; (ii) the Participant ceases to hold a position of like status to that under this Agreement; (iii) any fundamental term of this Agreement is breached other than by the Participant; (iv) the Participant's annual base salary, annual target bonus or other Participant benefits are materially reduced, except where such reduction is expressly permitted under the terms of this Agreement or where a similar reduction is applied generally across the senior management team; or (v) the Participant is required to relocate the Participant's principal place of employment more than 50 miles from the Participant's normal place of work unless the Participant's principal place of employment is brought within 50 miles (whether by distance or commuting time) of the Participant's home residence by such relocation; provided, that (A) the Participant provides the Company with Notice stating clearly the event or circumstance that constitutes Good Reason in the Participant's belief (acting in good faith) within 30 days of its occurrence, (B) the Company shall have a period of not less than 30 working days (the "Cure Period") to cure the event or circumstance allegedly constituting Good Reason, and (C) the Participant must actually terminate Continuous Service Status no later than 10 days following the end of such Cure Period, if the Good Reason condition remains uncured. For the avoidance of doubt, Good Reason shall not exist if the event or circumstance allegedly constituting Good Reason is cured by the Company or if the

Participant fails to terminate the Participant's Continuous Service Status hereunder within 10 days following the end of the Cure Period."

Incentive Bonus Agreements

Over the course of the Company's history, we have entered into incentive bonus agreements ("IBAs") with certain team members who have been integral to our success as a means to attract and retain such individuals. The IBAs provide for payments in connection with certain liquidity events, including an initial public offering, with a bonus paid on or soon following the closing of a liquidity event (the "Closing Bonus") and an additional bonus that may be payable to certain team members following such liquidity event based on continued employment with us for retention purposes (the "Retention Bonus"). In connection with this offering, we expect to pay Closing Bonuses, payable in cash and/or stock or a combination thereof, with an aggregate value, based on the midpoint of the range set forth on the cover page of the prospectus, of approximately $291.2 million, and additional Retention Bonuses payable in RSUs with an aggregate value of approximately $65.6 million. Each $1.00 increase or decrease in the initial public offering price per share of Class A common stock from the midpoint of the estimated price range set forth on the cover page of this prospectus would increase or decrease the aggregate value of the Closing Bonuses by approximately $2.3 million and would increase or decrease the aggregate value of the Retention Bonuses by approximately $0.6 million. Each $1.00 increase in the initial public offering price per share of Class A common stock from the midpoint of the estimated price range set forth on the cover page of this prospectus would increase the aggregate number of shares of Class A common stock issued in connection with the Closing Bonuses and Retention Bonuses by approximately 57,476. Each $1.00 decrease in the initial public offering price per share of Class A common stock from the midpoint of the estimated price range set forth on the cover page of this prospectus would decrease the aggregate number of shares of Class A common stock issued in connection with the Closing Bonuses and Retention Bonuses by approximately 63,352. An increase or decrease in the number of shares of Class A common stock issued and sold in this offering would have no impact on the amount of bonuses. The Retention Bonus RSUs vest over as long as 48 months, depending on the employee. The number of shares of Class A common stock or RSUs issued as part of the Closing Bonus and Retention Bonus shall be determined by dividing the amount of the respective bonus by the offering price that is set by our underwriters in connection with this offering, rounding the result to the nearest whole share.

Emerging Growth Company Status

We are an "emerging growth company," as defined in the JOBS Act. As an emerging growth company, we will be exempt from certain requirements related to executive compensation, including the requirements to hold non-binding advisory votes on executive compensation and to provide information relating to the ratio of annual total compensation of our Chief Executive Officer to the median of the annual total compensation of all of our team members, each as required under Sections 14 and 14A of the Exchange Act.

Director Compensation

The following table sets forth information regarding compensation earned by or paid to our directors during the year ended December 31, 2018, excluding the NEOs, for whom we provide compensation disclosure below (David Katzman, Steven Katzman, and Susan Greenspon Rammelt).

Name(a)(b)	Fees earned or paid in cash ($)	Stock awards ($)	Option awards ($)	Non-equity incentive plan compensation ($)	Nonqualified deferred compensation earnings ($)	All other compensation ($)	Total ($)
Jordan Katzman	—	—	—	—	—	209,614	209,614
Alexander Fenkell(c)	—	—	—	—	—	316,614	316,614

(a) Richard Schnall received no compensation as a director or otherwise from us. Therefore, we excluded him from this table.

(b) We did not pay our directors for services provided to us as directors during the year ended December 31, 2018. Jordan Katzman and Alexander Fenkell were compensated by Camelot for providing services to us as consultants, as provided in the Management Agreement, but not for services as directors. As such, we have only included compensation received as consultants in the "All other compensation" column.

(c) In addition to the consulting fees received by Alexander Fenkell, the amount disclosed for him includes the aggregate incremental costs of perquisites and other personal benefits, including (i) $12,000 in 2018 for personal use of aircraft paid for by the company by Alexander Fenkell and (ii) other transportation and living costs of $95,000 in 2018 for Alexander Fenkell to commute to our principal executive office in Nashville. Jordan Katzman received no additional payments or benefits for providing us services.

William H. Frist, M.D., will become a member of our board of directors effective upon the closing of this offering. In addition to annual board fees of $150,000, William Frist will receive a number of RSUs having an aggregate grant date fair value of $850,000, which will vest with respect to 35% of the grant date fair value on each of September 1, 2020 and September 1, 2021, and 30% of the grant value on April 1, 2022, subject to his continued service on the board of directors through such date.

Richard F. Wallman will also become a member of our board of directors effective upon the closing of this offering. In exchange for his services, Richard Wallman will receive grants of RSUs on this date of this offering having an aggregate grant date fair value of $300,000, on September 1, 2020 having an aggregate grant date fair value of $300,000, and on September 1, 2021 having an aggregate grant date fair value of $150,000, which will vest on September 1, 2020, September 1, 2021, and April 1, 2022, respectively.

Carol Hamilton will also become a member of our board of directors effective upon the closing of this offering. In exchange for her services, Carol Hamilton will receive separate grants of RSUs in the same amounts, at the same times, and pursuant to the same vesting schedule as Richard Wallman.

Summary Compensation Table

Name and Principal Position(a)	Year	Salary ($)	Bonus ($)	Stock Awards(b)(c)(d) ($)	All Other Compensation(e) ($)	Total ($)
Steven Katzman(f)	2018	302,544	178,507	—	185,479	666,530
Chief Operating Officer	2017	198,214	125,589	3,377,295	9,231	3,710,329
Susan Greenspon Rammelt(f)	2018	315,480	500,000	531,736	12,307	1,359,523
General Counsel and Secretary						

(a) David Katzman provides management services to us through Camelot. Camelot pays an entity that is wholly owned by David Katzman for providing services to us and to other entities. No amounts are reflected in the above table for him because he provides services to several entities on behalf of Camelot for which Camelot provides compensation, but not on a per-entity

basis. As such, there is no discernable amount of compensation paid to David Katzman for the discrete services he provides to us.

(b) For 2018, amounts reflect the full grant-date fair value of the Pre-IPO Units granted pursuant to Susan Greenspon Rammelt's Restricted Unit Grant Agreement, dated as of April 15, 2018, in accordance with ASC Topic 718. For additional information regarding assumptions used to calculate the value of such awards, please refer to Note 1 to our consolidated financial statements included elsewhere in this prospectus.

(c) For 2017, amounts reflect the full grant-date fair value of the Pre-IPO Units granted pursuant to Steven Katzman's Restricted Unit Grant Agreement, dated as of March 31, 2017, in accordance with ASC Topic 718. For additional information regarding assumptions used to calculate the value of such awards, please refer to Note 1 to our consolidated financial statements included elsewhere in this prospectus.

(d) We have not granted options, nonequity incentive plan compensation, or nonqualified deferred compensation to any of the NEOs. Therefore, we have excluded those columns from this table.

(e) Amounts disclosed in this column include the aggregate incremental costs of perquisites and other personal benefits, including, among other things: (i) $205,000 in 2018 for personal use of aircraft paid for by the Company by David Katzman, (ii) $100,000 in 2018 for personal use of aircraft paid for by the Company by Steven Katzman, (iii) other transportation and living costs for David Katzman of $41,000 in 2018 for him to commute to our principal executive office in Nashville, (iv) other transportation and living costs for Steven Katzman of $73,000 in 2018 for him to commute to our principal executive office in Nashville, (v) $12,479 in 2018 representing employer contributions to Steven Katzman's 401(k) account, and (vi) $12,307 in 2018 representing employer contributions to Susan Greenspon Rammelt's 401(k) account.

(f) During 2018, Steven Katzman and Susan Greenspon Rammelt were consultants providing management services to us through Camelot. Pursuant to our Management Agreement with Camelot, we paid Camelot a management fee and Camelot then paid Steven Katzman and Susan Greenspon Rammelt for providing services to us. The total management fee paid by us to Camelot includes payments for other individual consultants. The salary and bonus amounts in the table reflect the portion of the management fee attributed to Steven Katzman and Susan Greenspon Rammelt. We paid Camelot $3.3 million in management fees and expenses in 2018, including, but not limited to, for the services of Steven Katzman, Susan Greenspon Rammelt, and the other Camelot consultants provided for in the Management Agreement.

Outstanding Equity Awards as of December 31, 2018

		Profits Interest Awards(b)(c)(d)	
Name(a)	Grant Date	Number of units that have not vested (#)	Market value of units that have not vested ($)(g)
Steven Katzman(e)	March 31, 2017	1,424	30,630,696
Susan Greenspon Rammelt(f)	April 15, 2018	108	1,887,883

(a) We have excluded David Katzman from this table because he did not receive any equity awards through December 31, 2018.

(b) We have excluded the Option Awards portion of this table because we granted no option awards to our NEOs through December 31, 2018.

(c) We have excluded the columns regarding equity incentive plan awards from this table because we did not have an equity incentive plan through December 31, 2018.

(d) The Restricted Units granted to our NEOs were designed to qualify as profits interests that had a time-based vesting requirement along with an initial distribution threshold that had to be met before the NEO was eligible to participate in future appreciation.

(e) Steven Katzman's March 2017 Restricted Unit grant provided that the time-based vesting requirement would be satisfied for one sixtieth of the Restricted Units on the first day of each month following the grant date and ending 60 months thereafter. The distribution threshold requirement would have been satisfied when distributions to other members of SDC Financial reached $500 million.

(f) Susan Greenspon Rammelt's April 2018 Restricted Unit grant provided that the time-based vesting requirement would be satisfied, 20% on April 15, 2019 and 20% annually on April 15 for the four succeeding years thereafter until all of the Restricted Units were vested. The distribution threshold requirement would have been satisfied when distributions to other members of SDC Financial reached $1 billion.

(g) Membership interest units of SDC Financial were not publicly traded as of December 31, 2018. The value of the Restricted Units included in this table on that date is based on our board of directors' determination of the liquidation value of such Restricted Units as of that date, excluding any premium or marketability discounts.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth information regarding the beneficial ownership of shares of our Class A common stock and Class B common stock as of September 3, 2019 for:

- each person known by us to own beneficially more than 5% of any class of our outstanding shares of common stock;
- each of the directors and named executive officers individually; and
- all of our directors and named executive officers as a group.

The following table does not reflect any shares of our Class A common stock that directors, officers, or principal stockholders may purchase in this offering, including pursuant to our directed share program.

The beneficial ownership information is presented on the following bases:

- after giving effect to the Reorganization Transactions (as described under "*Organizational Structure*"), but before this offering;
- after giving effect to the Reorganization Transactions described above, plus (i) the sale of 58,537,000 shares of Class A common stock by us in this offering and (ii) our and SDC Financial's related purchase and cancellation of 21,275,269 LLC Units (with cancellation of an equal number of shares of Class B common stock) from Pre-IPO Investors and 2,794,140 shares of Class A common stock from the Blocker Shareholders with a portion of the net proceeds of this offering; and
- after giving effect to the issuance and purchases described above, plus (i) the sale of 8,780,550 additional shares of Class A common stock by us in connection with the underwriters' option to purchase additional shares in this offering and (ii) our and SDC Financial's related purchase and cancellation of 7,354,694 additional LLC Units (with cancellation of an equal number of shares of Class B common stock) from Pre-IPO Investors and 986,829 additional shares of Class A common stock from the Blocker Shareholders with a portion of the net proceeds of this offering.

Beneficial ownership is determined in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to such securities. Accordingly, if an individual or entity is a member of a "group" which has agreed to act together for the purpose of acquiring, holding, voting or disposing of such securities, such individual or entity is deemed to be the beneficial owner of such securities held by all members of the group. Further, if an individual or entity has or shares the power to vote or dispose of such securities held by another entity, beneficial ownership of such securities held by such entity may be attributed to such other individuals or entities. Except as otherwise indicated, all persons listed below have sole voting and investment power with respect to the shares beneficially owned by them, subject to applicable community property laws.

In connection with the Reorganization Transactions and prior to the consummation of the offering, certain trusts affiliated with David Katzman, our Chairman and Chief Executive Officer, Steven Katzman, our Chief Operating Officer, Jordan Katzman and Alexander Fenkell, our co-founders, and certain of their affiliated trusts and entities, who we collectively refer to as the Voting Group, will enter into the Voting Agreement, pursuant to which the Voting Group will give David Katzman, our Chairman and Chief Executive Officer, sole voting, but not dispositive, power over the shares of our Class A and Class B common stock beneficially owned by the Voting Group. The Voting Agreement terminates upon the earlier of (i) the ten-year anniversary of the consummation of an initial public offering of any shares of our common stock and (ii) the date on which the shares of Class B common stock held by the Voting Group and their permitted transferees represent less than 15% of the Class B common stock held by the Voting Group and their permitted transferees as of immediately following the consummation of an initial public

offering of any shares of our common stock; or other events. See "*Certain Relationships and Related Party Transactions—Voting Agreement*."

Except as otherwise indicated in the footnotes below, the address of each beneficial owner is c/o SmileDirectClub, Inc., 414 Union St., Nashville, Tennessee 37219.

	Class A Common Stock(a)(b)						Class B Common Stock(a)(b)						Combined Voting Power(a)		
	Shares Before Offering		Shares After Offering		Shares After Offering, Including Full Option Exercise		Shares Before Offering		Shares After Offering		Shares After Offering, Including Full Option Exercise		% of Combined Voting Power Before Offering	% of Combined Voting Power After Offering	% of Combined Voting Power After Offering, Including Full Option Exercise
Name and address of Beneficial Owner	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%			
David Katzman(c)(d)	—	—	—	—	—	—	96,118,990	31.2%	87,869,545	31.2%	85,554,114	31.1%	30.7%	30.1%	29.9%
Jordan Katzman(c)(e)	—	—	—	—	—	—	76,189,363	24.7%	69,644,097	24.7%	67,808,756	24.7%	24.4%	23.8%	23.7%
Alexander Fenkell(c)(f)	—	—	—	—	—	—	69,577,875	22.5%	63,600,849	22.6%	61,924,773	22.5%	22.3%	21.8%	21.7%
Steven Katzman(c)(g)	—	—	—	—	—	—	37,917,518	12.3%	34,647,839	12.3%	33,734,437	12.3%	12.1%	11.9%	11.8%
Richard J. Schnall	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
William H. Frist	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Carol J. Hamilton	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Richard F. Wallman	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kyle Wailes(h)	—	—	259,364	*	259,364	*	—	—	—	—	—	—	*	*	*
Susan Greenspon Rammelt(i)	—	—	—	—	—	—	300,396	*	273,263	*	266,027	*	*	*	*
Executive Officers and Directors as a Group (10 persons)	—	—	259,364	*	259,364	*	280,104,142	90.8%	256,035,593	90.8%	249,288,107	90.8%	89.6%	87.6%	87.2%
CD&R SDC Holdings, L.P.(j)	29,133,057	70.9%	27,145,980	25.9%	26,444,188	23.5%	—	—	—	—	—	—	*	*	*

(a) Our Class A common stock entitles holders thereof to one vote per share, and our Class B common stock initially entitles holders thereof to ten votes per share, voting together as a single class. See "*Description of Capital Stock—Common Stock*."

(b) Subject to the terms and conditions of the SDC Financial LLC Agreement, LLC Units are exchangeable (with automatic cancellation of an equal number of shares of Class B common stock) for shares of our Class A common stock on a one-for-one basis, subject to customary adjustment for stock splits, stock dividends, and reclassifications, or for cash (based on the market price of the shares of Class A common stock), with the form of consideration determined by the disinterested members of our board of directors. See "*Certain Relationships and Related Party Transactions—SDC Financial LLC Agreement—Exchange rights*." Beneficial ownership of LLC Units is not reflected in this table; however, information concerning ownership of LLC Units is included in the footnotes below, where applicable.

(c) As a result of the Voting Agreement, following this offering, David Katzman may be deemed to beneficially own in the aggregate 248,755,932 shares of Class B common stock that are owned by other members of the Voting Group. Mr. D. Katzman disclaims beneficial ownership of all shares of Class B common stock subject to the Voting Agreement, other than those held by DBK Investments LLC and the David Katzman Revocable Trust.

(d) Following this offering, Mr. D. Katzman will beneficially own (i) 87,641,721 LLC Units and shares of Class B common stock held by DBK Investments, LLC, of which he is the manager, which is wholly owned by the David B. Katzman 2018 Irrevocable Trust, over which he has sole voting and investment control, and (ii) 227,824 LLC Units and shares of Class B common stock held by the David Katzman Revocable Trust, of which he is trustee. Excludes 621,550 LLC Units and shares of Class B common stock that, following this offering, will be beneficially owned by Heather Katzman, Mr. D. Katzman's spouse.

(e) Following this offering, Mr. J. Katzman will beneficially own (i) 65,876,729 LLC Units and shares of Class B common stock held by JM Katzman Investments, LLC, of which his is manager, which is wholly owned by the Jordan M. Katzman 2018 Irrevocable Trust, over which he has sole voting and investment control, and (ii) 3,767,368 LLC Units and shares of Class B common stock held by the Jordan M. Katzman Revocable Trust, of which he is trustee.

(f) Following this offering, Mr. Fenkell will beneficially own (i) 58,998,004 LLC Units and shares of Class B common stock held by the Alexander J. Fenkell 2018 Irrevocable Trust, of which he is trustee, and (ii) 4,602,844 LLC Units and shares of Class B common stock held by the Alexander Fenkell Revocable Trust, of which he is trustee.

(g) Following this offering, Mr. S. Katzman will beneficially own (i) 28,382,719 LLC Units and shares of Class B common stock held by the David B. Katzman 2009 Family Trust, of which he is trustee, and (ii) 6,265,120 LLC Units and shares of Class B common stock held in his individual capacity, including 2,719,987 restricted LLC Units and shares of Class B common stock that will be subject to monthly vesting through March 2022 (of which 226,666 LLC Units and shares of Class B common stock will vest within 60 days of September 3, 2019). See "*Executive and Director Compensation—Elements of Compensation—Equity-based compensation*."

(h) Following this Offering, Mr. Wailes will beneficially own 259,364 shares of Class A common stock, including 13,651 shares of Class A common stock that may be issuable upon settlement of RSUs that will vest within 60 days of September 3, 2019. See "*Executive and Director Compensation—Elements of Compensation—Equity-based compensation*."

(i) Following this offering, Ms. Greenspon Rammelt will beneficially own 273,263 LLC Units and shares of Class B common stock, including 120,158 restricted LLC Units and shares of Class B common stock that will be subject to monthly vesting through April 2023 (of which 10,013 LLC Units and shares of Class B common stock will vest within 60 days of September 3, 2019). See "*Executive and Director Compensation—Elements of Compensation—Equity-based compensation*."

(j) CD&R Investment Associates X, Ltd. ("CD&R SDC GP") is the general partner of CD&R SDC Holdings, L.P. ("CD&R SDC"). CD&R SDC GP, as the general partner of CD&R SDC, may be deemed to beneficially own the shares of Common Stock shown as beneficially owned by CD&R SDC. CD&R SDC GP expressly disclaims beneficial ownership of the Common Stock of which CD&R SDC has beneficial ownership. Investment and voting decisions with respect to the shares of Common Stock held by CD&R SDC or CD&R SDC GP are made by an investment committee comprised of more than ten individuals (the "CD&R SDC Investment Committee"). All members of the CD&R SDC Investment Committee disclaim beneficial ownership of the shares of Common Stock shown as beneficially owned by CD&R SDC. CD&R SDC GP expressly disclaims beneficial ownership of the shares held by CD&R SDC. The address for CD&R SDC and CD&R SDC GP is c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104, Cayman Islands.

* Represents beneficial ownership of less than 1%.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The agreements described in this section, or forms of such agreements as they will be in effect at the time of this offering, will be filed as exhibits to the registration statement of which this prospectus forms a part, and the following descriptions are qualified by reference thereto.

Reorganization Transactions

Prior to and in connection with the consummation of this offering, we will consummate the Reorganization Transactions pursuant to the agreements described below. See "*Organizational Structure*."

SDC Financial LLC Agreement

As a result of the Reorganization Transactions, SDC Inc. will hold a significant equity interest in SDC Financial and will be the managing member of SDC Financial. Accordingly, SDC Inc. will operate and control all of the business and affairs of SDC Financial and, through SDC Financial and its operating subsidiaries, conduct SmileDirectClub's business.

Prior to the completion of this offering, the operating agreement of SDC Financial will be amended and restated to, among other things, modify the capital structure of SDC Financial by replacing the different classes of membership interests with a single new class of membership interests of SDC Financial, which we refer to as LLC Units. Each of the Continuing LLC Members and SDC Inc. will enter into the SDC Financial LLC Agreement.

Under the SDC Financial LLC Agreement, SDC Inc., as the managing member of SDC Financial, has the right to determine when distributions (other than tax distributions) will be made to holders of LLC Units in SDC Financial and the amount of any such distributions, subject to limitations imposed by applicable law and contractual restrictions (including pursuant to our debt instruments). If a distribution with respect to LLC Units is authorized, such distribution will be made to the holders of LLC Units pro rata based on their holdings of LLC Units in accordance with their terms. In turn, SDC Financial, which is the managing member of SDC LLC, has the right to determine when distributions (other than tax distributions) will be made by SDC LLC to SDC Financial and the amount of any such distributions, and SDC LLC, which is the managing member of SDC Holding, has the right to determine when distributions (other than tax distributions) will be made by SDC Holding to SDC LLC and the amount of any such distributions.

Under the terms of the SDC Financial LLC Agreement, all of the LLC Units received by the Continuing LLC Members in the Reorganization Transactions will be subject to restrictions on disposition. Additionally, following consummation of the Reorganization Transactions, LLC Units will be subject to the same vesting and/or forfeiture conditions as the previously held securities in SDC Financial, as applicable.

The holders of LLC Units, including SDC Inc., will incur U.S. federal, state, and local income taxes on their respective share of any taxable income of SDC Financial. Net profits and net losses of SDC Financial generally will be allocated to the holders of LLC Units (including SDC Inc.) pro rata in accordance with their respective share of the net profits and net losses of SDC Financial. The SDC Financial LLC Agreement will provide for cash distributions, which we refer to as "tax distributions," based on certain assumptions, to the holders of LLC Units (including SDC Inc.) pro rata based on their holdings of LLC Units. Generally, these tax distributions to holders of LLC Units will be an amount equal to our estimate of the taxable income of SDC Financial, net of taxable losses, allocable per LLC Unit multiplied by an assumed tax rate set forth in the SDC Financial LLC Agreement. Because tax distributions will be determined based on an assumed tax rate, SDC Financial may be required to make tax distributions that, in the aggregate, may exceed the amount of taxes that SDC Financial would have paid if it were itself taxed on its net income. Tax distributions will be made only to the extent all distributions from SDC Financial for

the relevant year were insufficient to cover such tax liabilities. Any distributions will be subject to available cash and applicable law and contractual restrictions.

Exchange rights

Subject to the terms and conditions of the SDC Financial LLC Agreement, the Continuing LLC Members will have the right to exchange their LLC Units (with automatic cancellation of an equal number of shares of Class B common stock) for shares of our Class A common stock on a one-for-one basis, subject to customary adjustments for stock splits, stock dividends, reclassifications, and other similar transactions, or for cash (based on the market price of the shares of Class A common stock), with the form of consideration determined by the disinterested members of our board of directors. The SDC Financial LLC Agreement will provide that, as a general matter, a Continuing LLC Member will not have the right to exchange LLC Units if we determine that such exchange would be prohibited by law. We may impose additional restrictions on exchange that we determine to be necessary or advisable so that SDC Financial is not treated as a "publicly traded partnership" for U.S. federal income tax purposes. As Continuing LLC Members exchange their LLC Units, those LLC Units thereafter will be owned by SDC Inc. and SDC Inc.'s interest in SDC Financial will be correspondingly increased. The corresponding shares of Class B common stock will be cancelled. We have reserved for issuance shares of Class A common stock in respect of the aggregate number of shares of Class A common stock that may be issued upon exchange of LLC Units.

A Continuing LLC Member will not be permitted to exchange LLC Units pursuant to the SDC Financial LLC Agreement during the 180-day period after the date of this prospectus, unless it has executed a lock-up agreement.

Voting Agreement

Prior to the consummation of this offering, certain trusts affiliated with David Katzman, our Chairman and Chief Executive Officer, Steven Katzman, our Chief Operating Officer, Jordan Katzman and Alexander Fenkell, our co-founders, and certain of their affiliated trusts and entities, who we collectively refer to as the Voting Group, will enter into the Voting Agreement, pursuant to which the Voting Group will give David Katzman sole voting, but not dispositive, power over the shares of our Class A and Class B common stock beneficially owned by the Voting Group.

Purchase of LLC Units and Class A Common Stock

We intend to use approximately $493.4 million (or approximately $664.4 million if the underwriters' option to purchase additional shares of Class A common stock is exercised in full) of the net proceeds we receive from this offering to purchase and cancel LLC Units from Pre-IPO Investors and shares of two words Class A common stock from the Blocker Shareholders at a price per LLC Unit and share of Class A common stock equal to the public offering price per share of Class A common stock in this offering, less the underwriting discount.

The table below sets forth the number of LLC Units and/or shares of Class A common stock to be purchased by us from Pre-IPO Investors, assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of Class A common stock, based on an assumed initial public offering price of $20.50 per share of Class A common stock, which is the midpoint of the estimated price range set forth on the cover page of this prospectus. The information in the table below also includes amounts that will be purchased from the Pre-IPO Investors pursuant to the terms of the 2018 Private Placement. See "*Use of Proceeds*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—2018 Private Placement*."

If the net proceeds from this offering are greater than the estimated net proceeds set forth herein, we expect to use the additional proceeds to purchase and cancel additional LLC Units and shares of Class A

common stock from Pre-IPO Investors at a price per LLC Unit or share of Class A common stock equal to the public offering price per share of Class A common stock in this offering, less the underwriting discount. If the net proceeds from this offering are less than the estimated net proceeds set forth herein, we expect to purchase and cancel fewer LLC Units and shares of Class A common stock from Pre-IPO Investors. See "*Use of Proceeds*" and "*Security Ownership of Certain Beneficial Owners and Management*."

	Assuming No Option Exercise		Assuming Full Option Exercise	
	# of LLC Units and shares of Class A common stock to be Purchased	Aggregate Purchase Price	# of LLC Units and shares of Class A common stock to be Purchased	Aggregate Purchase Price
David Katzman(a)(d)	8,249,445	$ 169,113,623	10,564,876	$ 216,579,959
Jordan Katzman(b)(d)	6,545,266	134,177,953	8,380,607	171,802,444
Alexander Fenkell(c)	5,977,027	122,529,054	7,653,103	156,888,612
Steven Katzman(d)	604,584	12,393,964	770,069	15,786,407
Susan Greenspon Rammelt	27,133	556,227	34,369	704,565
CD&R SDC Holdings, Inc.	1,987,077	40,735,079	2,688,869	55,121,815
Other(e)	6,102,959	125,110,660	7,743,118	158,733,918
Total	29,493,491	$ 604,616,560	37,835,011	$ 775,617,720

(a) Assuming no exercise of the underwriters' option to purchase additional shares of Class A common stock, includes (i) 8,232,907 LLC Units (with an equal number of shares of Class B common stock) purchased from DBK Investments, LLC and (ii) 16,538 LLC Units (with an equal number of shares of Class B common stock) purchased from the David Katzman Revocable Trust and excludes 58,387 LLC Units (with an equal number of shares of Class B common stock) purchased from Heather Katzman, Mr. Katzman's spouse. Assuming full exercise of the underwriters' option to purchase additional shares of Class A common stock, includes (i) 10,542,541 LLC Units (with an equal number of shares of Class B common stock) purchased from DBK Investments, LLC and (ii) 22,425 LLC Units (with an equal number of shares of Class B common stock) purchased from the David Katzman Revocable Trust, and excludes 74,767 LLC Units (with an equal number of shares of Class B common stock purchased from Heather Katzman, Mr. Katzman's spouse.

(b) Assuming no exercise of the underwriters' option to purchase additional shares of Class A common stock, includes (i) 1,223,084 LLC Units (with an equal number of shares of Class B common stock) purchased from JM Katzman Investments, LLC and (ii) 5,322,182 LLC Units (with an equal number of shares of Class B common stock) purchased from the Jordan M. Katzman Revocable Trust. Assuming full exercise of the underwriters' option to purchase additional shares of Class A common stock, includes (i) 1,223,084 LLC Units (with an equal number of shares of Class B common stock) purchased from JM Katzman Investments, LLC and (ii) 7,157,523 LLC Units (with an equal number of shares of Class B common stock) purchased from the Jordan M. Katzman Revocable Trust.

(c) Assuming no exercise of the underwriters' option to purchase additional shares of Class A common stock, includes (i) 1,095,143 LLC Units (with an equal number of shares of Class B common stock) purchased from the Alexander J. Fenkell 2018 Irrevocable Trust and (ii) 4,881,884 LLC Units (with an equal number of shares of Class B common stock) purchased from the Alexander Fenkell Revocable Trust. Assuming full exercise of the underwriters' option to purchase additional shares of Class A common stock, includes (i) 1,095,143 LLC Units (with an equal number of shares of Class B common stock) purchased from the Alexander J. Fenkell 2018 Irrevocable Trust and (ii) 6,557,960 LLC Units (with an equal number of shares of Class B common stock) purchased from the Alexander Fenkell Revocable Trust.

(d) Excludes 2,665,095 LLC Units (or 3,413,012 LLC Units, assuming full exercise of the underwriters' option to purchase additional shares of Class A common stock), with an equal number of shares of Class B Common stock, purchased from the David B. Katzman 2009 Family Trust, of which Steven Katzman is the trustee, and the descendants of David Katzman, including Jordan Katzman, are the primary beneficiaries, for $54,634,450 (or $69,966,748, assuming full exercise of the underwriters' option to purchase additional shares of Class A common stock).

(e) Includes the LLC Units (and shares of Class B Common stock) purchased from the David B. Katzman 2009 Family Trust discussed in note (d) above.

Registration Rights Agreement

We are party to the Registration Rights Agreement, whereby, following the expiration of the 180-day lock-up period related to this offering, we may be required to register under the Securities Act the sale of shares of our Class A common stock held by Pre-IPO Investors, including shares that may be issued to Continuing LLC Members upon exchange of their LLC Units. The Registration Rights Agreement also requires us to make available and keep effective shelf registration statements permitting sales of shares of Class A common stock into the market from time to time over an extended period. In addition, Pre-IPO Investors will have the ability to exercise certain demand registration rights and/or piggyback registration rights in connection with underwritten registered offerings requested by Pre-IPO Investors or initiated by us.

Tax Receivable Agreement

Our purchase of LLC Units from SDC Financial, coupled with SDC Financial's purchase and cancellation of LLC Units from the Pre-IPO Investors in connection with this offering, as described under "*Use of Proceeds*," and any future exchanges of LLC Units for our Class A common stock or cash are expected to result in increases in our allocable tax basis in the assets of SDC Financial that otherwise would not have been available to us. These increases in tax basis are expected to reduce the amount of cash tax that we would otherwise have to pay in the future due to increases in depreciation and amortization deductions (for tax purposes). These increases in tax basis may also decrease gain (or increase loss) on future dispositions of certain assets of SDC Financial to the extent the increased tax basis is allocated to those assets. The IRS may challenge all or part of these tax basis increases, and a court could sustain such a challenge.

In connection with the consummation of this offering, we and SDC Financial will enter into the Tax Receivable Agreement, pursuant to which we will agree to pay the Continuing LLC Members 85% of the cash savings, if any, in U.S. federal, state, and local income tax or franchise tax that we actually realize as a result of (a) the increases in tax basis attributable to exchanges by Continuing LLC Members and (b) tax benefits related to imputed interest deemed to be paid by us as a result of the Tax Receivable Agreement. We expect to benefit from the remaining 15% of cash savings, if any, that we realize. For purposes of the Tax Receivable Agreement, cash savings will be computed by comparing our actual income tax liability to the amount of such taxes that we would have been required to pay had there been no increase to the tax basis of the assets of SDC Financial as a result of the exchanges and had we not entered into the Tax Receivable Agreement. The term of the Tax Receivable Agreement will commence upon the consummation of this offering and will continue until all such tax benefits have been utilized or expired, unless we exercise our right to terminate the Tax Receivable Agreement for an amount based on a specified formula to determine the present value of payments remaining to be made under the agreement (including payments that would be made if all LLC Units were then exchanged for Class A common stock). The Tax Receivable Agreement will cover any exchanges of LLC Units issued to the current parties to that agreement after the offering, and it is possible that new investors in LLC Units after this offering may become parties to the Tax Receivable Agreement as well.

The payment obligation under the Tax Receivable Agreement is an obligation of SDC Inc. and not an obligation of SDC Financial. In addition, the Continuing LLC Members will not reimburse us for any payments previously made under the Tax Receivable Agreement if such basis increases or other benefits are subsequently disallowed, although excess payments made to any Continuing LLC Member may be netted against payments otherwise to be made, if any, to the relevant Continuing LLC Member after our determination of such excess. However, a challenge to any tax benefits initially claimed by us may not arise for a number of years following the initial time of such payment or, even if challenged early, such excess cash payment may be greater than the amount of future cash payments that we might otherwise be required to make under the terms of the Tax Receivable Agreement and, as a result, there might not be future cash payments from which to net against. The applicable U.S. federal income tax rules are complex

and factual in nature, and there can be no assurance that the IRS or a court will not disagree with our tax reporting positions. As a result, in certain circumstances we may make payments to the Continuing LLC Members under the Tax Receivable Agreement in excess of our actual cash tax savings. While the actual increase in tax basis, as well as the actual amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of shares of our Class A common stock at the time of the exchange, the extent to which such exchanges are taxable, future tax rates, and the amount and timing of our income, we expect that, as a result of the size of the increases in the tax basis of the tangible and intangible assets of SDC Financial attributable to our interests in SDC Financial, during the expected term of the Tax Receivable Agreement, the payments that we may make to the Continuing LLC Members could be substantial. Payments made under the Tax Receivable Agreement are required to be made within 215 days of the filing of our tax returns. Because we generally expect to receive the tax savings prior to making the cash payments to the Continuing LLC Members, we do not expect the cash payments to have a material impact on our liquidity.

In addition, the Tax Receivable Agreement provides that, upon a merger, asset sale, or other form of business combination or certain other changes of control, a material breach of our obligations under the Tax Receivable Agreement or if, at any time, we elect an early termination of the Tax Receivable Agreement, our (or our successor's) obligations with respect to exchanged or acquired units (whether exchanged or acquired before or after such change of control or early termination) will be based on certain assumptions, including that we would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the Tax Receivable Agreement that tax rates remain constant, and, in the case of certain early termination elections, that any units that have not been exchanged are deemed exchanged for the market value of the Class A common stock at the time of termination. Consequently, it is possible in these circumstances that the actual cash tax savings realized by us may be significantly less than the corresponding Tax Receivable Agreement payment.

Other Related Party Transactions

Management Services Agreement: SDC LLC is party to a Management Agreement with Camelot Venture Group, a private investment group of which David Katzman is a partner, pursuant to which Camelot provides certain management and consulting services to us for a fee of $150,000 per month, plus any costs incurred directly related to our business, including the salaries of Steven Katzman, Susan Greenspon Rammelt, Jessica Cicurel, Alexander Fenkell, and Jordan Katzman. For the year ended December 31, 2018, we paid approximately $3.3 million to Camelot under this agreement, including the aforementioned salaries. This Agreement will be terminated effective upon the consummation of this offering.

Costs incurred through affiliate: We are affiliated through Camelot with an entity that incurs freight costs related to our business. We incurred $8.3 million of freight through this affiliate during the year ended December 31, 2018. The cost was billed to us at actual cost.

Promissory notes to majority member and related parties: We were the obligor under three promissory notes payable to David Katzman and certain affiliated trusts. As of December 31, 2018, the balance of these notes was $11.7 million. These notes were repaid in full in the first quarter of 2019. Interest expense on this note payable was $1.2 million for the year ended December 31, 2018.

Promissory notes on unitholder redemption: In June 2017, we redeemed membership units from our former CEO for $12.4 million. We paid $1.6 million of the redemption price in June 2017 and the balance is being paid in 36 equal monthly installments plus interest at 3% annually beginning July 2017. As of June 30, 2019 and December 31, 2018, the outstanding balance on this note payable was $3.6 million and $5.4 million, respectively. In addition, we advanced $1.4 million to the former CEO to be repaid out of any future proceeds of the remaining units owned by him. This advance bears interest at 1.15% annually and is

reflected as a reduction of members' equity. In January 2018, we redeemed additional membership units from a former consultant for $1.5 million, which is being paid in 24 equal monthly installments plus interest of 1.7% annually beginning January 2018. As of June 30, 2019 and December 31, 2018, the outstanding balance on this note payable was $386,000 and $773,000, respectively. Interest on these promissory notes payable was $75,000 for the six months ended June 30, 2019 and $238,000 for the year ended December 31, 2018.

SDC Plane agreement: In February 2019, we entered into an agreement with the David Katzman Revocable Trust (the "Trust") to purchase all of the issued and outstanding membership units of a limited liability corporation ("SDC Plane") owned by the Trust for a purchase price of approximately $1.1 million, which was the Trust's acquisition cost. SDC Plane owns an interest in an aircraft through NetJets, which is available for use by our executives.

Private plane usage and subsequent purchase: We pay Camelot SI Leasing LLC, a company controlled by Mr. David Katzman, for the operation of a private plane when used for Company business within the contiguous 48 states of the United States, Canada, Costa Rica, and other destinations as necessary. Under this arrangement, payment is based on a fixed hourly fee for flight time plus reimbursement for certain costs incurred. The amount we pay under this arrangement is not subject to a maximum cap per fiscal year. For the year ended December 31, 2018, the average hourly flight time fee was approximately $3,400, and we paid approximately $1,000,000 to the affiliated company under this arrangement.

In August 2019, we agreed to purchase the airplane from Camelot SI Leasing, LLC, for $3.4 milion, the appraised value for the plane.

Align Loan and Security Agreement: In 2016, we entered into a Loan and Security Agreement and related ancillary agreements (collectively, the "Align Loan") with Align Technology, Inc. ("Align"), a prior significant equityholder. The Align Loan was amended in 2017. The Align Loan provided a line of credit for us to borrow up to 80% of eligible receivables up to a maximum amount of $30 million at an interest rate of 7% per annum. The entire outstanding balance of $30 million was repaid, and the Align Loan terminated, in February 2018. Interest expense on the Align Loan was $219,000 for the year ended December 31, 2018.

Align Supply Agreement: We are party to a Strategic Supply Agreement with Align, pursuant to which we had the option to purchase aligners from Align at a price that varies with the level of product purchased. While the majority of our aligners were manufactured in-house, we did purchase aligners under this agreement. This supply agreement is expected to terminate as of December 31, 2019. For the year ended December 31, 2018, we paid Align approximately $27.7 million for purchases of products under this agreement. Additionally, we purchase oral digital imaging equipment from Align. For the year ended December 31, 2018, we paid Align approximately $15.1 million for purchases of equipment.

Repurchase of Align shares: Pursuant to a March 2019 arbitration ruling, Align was required to tender its membership interests in SDC Financial in exchange for payment in the amount of Align's capital account as of November 2017. Also pursuant to the arbitration ruling, the non-compete provisions of our operating agreement prohibiting Align from engaging in certain competing business activities have been extended until August 2022 and they are prohibited from using our confidential information. See "*Our Business—Legal Proceedings*." Per the terms of the ruling, we are paying Align $54 million, pursuant to a promissory note payable over 24 months through March 2021, in full redemption of Align's Pre-IPO Units.

See Note 13 to the Consolidated Financial Statements of SDC Financial included elsewhere in this prospectus.

Directed Share Program

At our request, the underwriters have reserved up to 5% of the Class A Shares offered by this prospectus for the sale to directors, officers, and certain employees, as well as friends and family members of directors and officers. See "*Underwriting (Conflicts of Interest)*" for additional information regarding the directed share program.

Indemnification Agreements

We intend to enter into indemnification agreements with each of our directors and executive officers. These agreements will require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We also intend to enter into indemnification agreements with our future directors and executive officers.

There is no pending litigation or proceeding naming any of our directors or officers to which indemnification is being sought, and we are not aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

Policies and Procedures for Related Party Transactions

Our board of directors expects to adopt a written related-party transaction policy, to be effective upon the completion of this offering, setting forth the policies and procedures for the review and approval or ratification of transactions involving us and "related persons." For the purposes of this policy, "related persons" will include our executive officers, directors, director nominees, and their immediate family members, and stockholders owning five percent or more of our outstanding common stock and their immediate family members.

The policy will cover, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement, or relationship, or any series of similar transactions, arrangements, or relationships in which we were or are to be a participant, where the amount involved exceeds $120,000 and a related person had or will have a direct or indirect material interest, including, without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness, and employment by us of a related person. In reviewing and approving any such transactions, our audit committee is tasked to consider all relevant facts and circumstances, including, but not limited to, whether the transaction is on terms comparable to those that could be obtained in an arm's length transaction with an unrelated party and the extent of the related person's interest in the transaction. All related-party transactions may only be consummated if our audit committee has approved or ratified such transaction in accordance with the guidelines set forth in the policy. Any member of the audit committee who is a related person with respect to a transaction under review will not be permitted to participate in the deliberations or vote respecting approval or ratification of the transaction. However, such director may be counted in determining the presence of a quorum at a meeting of the audit committee that considers the transaction. All of the transactions described in this section occurred prior to the adoption of this policy.

DESCRIPTION OF CAPITAL STOCK

In connection with this offering, we will amend and restate our certificate of incorporation and our bylaws. The following is a description of the material terms of, and is qualified in its entirety by, our amended and restated certificate of incorporation and amended and restated bylaws, each of which will be in effect upon the consummation of this offering, the forms of which will be filed as exhibits to the registration statement of which this prospectus forms a part. Because this is only a summary, it may not contain all the information that is important to you.

Under "Description of Capital Stock," "we," "us," "our" and "Company" refer to SmileDirectClub, Inc. and not to any of its subsidiaries.

General

Our purpose is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the DGCL. Upon the consummation of this offering, our authorized capital stock will consist of 2,000,000,000 shares of Class A common stock, par value $0.0001 per share, 500,000,000 shares of Class B common stock, par value $0.0001 per share and 100,000,000 shares of preferred stock, par value $0.0001 per share. Unless our board of directors determines otherwise, we will issue all shares of our capital stock in uncertificated form.

Common Stock

We have two classes of common stock: Class A, which has one vote per share and Class B, which has ten votes per share. The Class A and Class B common stock will vote together as a single class on all matters submitted to a vote of stockholders, except as otherwise required by applicable law and except in connection with amendments to our amended and restated certificate of incorporation that increase or decrease the par value of the shares of such class, or alter or change the powers, preferences, or special rights of the shares of such class so as to affect them adversely.

Class A common stock

Holders of shares of our Class A common stock are entitled to one vote for each share held of record on all matters on which stockholders are entitled to vote generally, including the election or removal of directors elected by our stockholders generally. The holders of our Class A common stock do not have cumulative voting rights in the election of directors.

Holders of shares of our Class A common stock are entitled to receive dividends when, as and if declared by our board of directors out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding preferred stock.

Upon our liquidation, dissolution or winding up and after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, the holders of shares of our Class A common stock will be entitled to receive pro rata our remaining assets available for distribution.

All shares of our Class A common stock that will be outstanding at the time of the consummation of the offering will be fully paid and non-assessable. The Class A common stock will not be subject to further calls or assessments by us. Holders of shares of our Class A common stock do not have preemptive, subscription, redemption or conversion rights. There will be no redemption or sinking fund provisions applicable to the Class A common stock. The rights powers, preferences and privileges of our Class A common stock will be subject to those of the holders of any shares of our preferred stock or any other series or class of stock we may authorize and issue in the future.

Class B common stock

Holders of shares of our Class B common stock are entitled to ten votes for each share held of record on all matters on which stockholders are entitled to vote generally, including the election or removal of directors elected by our stockholders generally. The holders of our Class B common stock do not have cumulative voting rights in the election of directors. Upon the earlier of (i) the ten-year anniversary of the consummation of this offering or (ii) the date on which the shares of Class B common stock held by the Voting Group and their permitted transferees represent less than 15% of the Class B common stock held by the Voting Group and their permitted transferees as of immediately following the consummation of this offering, each share of Class B common stock will entitle its holder to one vote per share on all matters to be voted upon by stockholders generally.

The shares of Class B common stock have no economic rights. Holders of shares of our Class B common stock do not have any rights to receive dividends or, except as otherwise required by applicable law, to receive a distribution upon a liquidation, dissolution or winding up of the Company.

All shares of our Class B common stock that will be outstanding at the time of the consummation of the offering will be fully paid and non-assessable. The Class B common stock will not be subject to further calls or assessments by us. Holders of shares of our Class B common stock do not have preemptive, subscription, redemption or conversion rights. There will be no redemption or sinking fund provisions applicable to the Class B common stock. The rights powers, preferences and privileges of our Class B common stock will be subject to those of the holders of any shares of our preferred stock or any other series or class of stock we may authorize and issue in the future.

Subject to the terms and conditions of the SDC Financial LLC Agreement, the Continuing LLC Members will have the right to exchange their LLC Units (with automatic cancellation of an equal number of shares of Class B common stock) for shares of our Class A common stock on a one-for-one basis, subject to customary adjustments for stock splits, stock dividends, reclassifications, and other similar transactions, or for cash (based on the market price of the shares of Class A common stock), with the form of consideration determined by the disinterested members of our board of directors. See "*Certain Relationships and Related Party Transactions—SDC Financial LLC Agreement—Exchange rights*."

Pursuant to our amended and restated certificate of incorporation, the Class B common stock will be nontransferable except for (i) transfers with our consent, (ii) permitted transfers to and among existing holders of Class B common stock or, with respect to each holder, family members of the holder and entities (including partnerships and limited liability companies) exclusively owned by, or trusts for the sole benefit of, the holder or the holder's immediate family and (iii) pledges securing loans (and the exercise of remedies thereunder). Every transfer of shares of Class B common stock must be accompanied by a corresponding transfer of LLC Units.

Preferred Stock

No shares of preferred stock will be issued or outstanding immediately after the offering contemplated by this prospectus. Our amended and restated certificate of incorporation authorizes our board of directors to establish one or more series of preferred stock (including convertible preferred stock). Unless required by law or any stock exchange, the authorized shares of preferred stock will be available for issuance without further action by the holders of our Class A or Class B common stock. Our board of directors is able to determine, with respect to any series of preferred stock, the powers (including voting powers), preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, including, without limitation:

- the designation of the series;

- the number of shares of the series, which our board of directors may, except where otherwise provided in the preferred stock designation, increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares then outstanding);
- whether dividends, if any, will be cumulative or non-cumulative and the dividend rate of the series;
- the dates at which dividends, if any, will be payable;
- the redemption or repurchase rights and price or prices, if any, for shares of the series;
- the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series;
- the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding-up of our affairs;
- whether the shares of the series will be convertible into shares of any other class or series, or any other security, of us or any other entity, and, if so, the specification of the other class or series or other security, the conversion price or prices or rate or rates, any rate adjustments, the date or dates as of which the shares will be convertible and all other terms and conditions upon which the conversion may be made;
- restrictions on the issuance of shares of the same series or of any other class or series; and
- the voting rights, if any, of the holders of the series.

We could issue a series of preferred stock that could, depending on the terms of the series, impede or discourage an acquisition attempt or other transaction that some, or a majority, of the holders of our common stock might believe to be in their best interests or in which the holders of our common stock might receive a premium over the market price of the shares of our common stock. Additionally, the issuance of preferred stock may adversely affect the rights of holders of our common stock by restricting dividends on the common stock, diluting the voting power of the common stock or subordinating the liquidation rights of the common stock. As a result of these or other factors, the issuance of preferred stock could have an adverse impact on the market price of our Class A common stock.

Annual Stockholder Meetings

Our amended and restated bylaws provide that annual stockholder meetings will be held at a date, time and place, if any, as exclusively selected by our board of directors. To the extent permitted under applicable law, we may conduct meetings by remote communications, including by webcast.

Anti-Takeover Effects of Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws and Certain Provisions of Delaware Law

Our amended and restated certificate of incorporation, amended and restated bylaws and the DGCL will contain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board of directors. These provisions are intended to avoid costly takeover battles, reduce our vulnerability to a hostile or abusive change of control and enhance the ability of our board of directors to maximize stockholder value in connection with any unsolicited offer to acquire us. However, these provisions may have an antitakeover effect and may delay, deter or prevent a merger or acquisition of the Company by means of a tender offer, a proxy contest or other takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the prevailing market price for the shares of common stock held by stockholders.

Authorized but Unissued Capital Stock

The authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval, subject to any limitations imposed by the listing standards of NASDAQ. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Classified Board of Directors

Our amended and restated certificate of incorporation will provide that our board of directors will be divided into three classes, with the classes as nearly equal in number as possible and each class serving three-year staggered terms. The holders of our Class B common stock, pursuant to the Voting Agreement, will control the election of directors. Directors may only be removed from our board of directors for cause by the affirmative vote of at least a majority of the confirmed voting power of our Class A and Class B common stock. In addition, our amended and restated certificate of incorporation will also provide that, subject to the rights granted to one or more series of preferred stock then outstanding or the rights granted under the Voting Agreement with David Katzman, any newly created directorship on the board of directors that results from an increase in the number of directors and any vacancies on our board of directors will be filled only by the affirmative vote of a majority of the remaining directors, even if less than a quorum, by a sole remaining director. See "*Management—Composition of the Board of Directors.*" These provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control of us or our management.

Business Combinations

We intend to opt out of Section 203 of the DGCL; however, our amended and restated certificate of incorporation contains similar provisions providing that we may not engage in certain "business combinations" with any "interested stockholder" for a three-year period following the time that the stockholder became an interested stockholder, unless:

- prior to such time, our board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding certain shares; or
- at or subsequent to that time, the business combination is approved by our board of directors and by the affirmative vote of holders of at least $66^{2}/_{3}$% of our outstanding voting stock that is not owned by the interested stockholder.

Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an "interested stockholder" is a person who, together with that person's affiliates and associates, owns, or within the previous three years owned, 15% or more of our outstanding voting stock. For purposes of this section only, "voting stock" has the meaning given to it in Section 203 of the DGCL.

Under certain circumstances, this provision will make it more difficult for a person who would be an "interested stockholder" to effect various business combinations with us for a three-year period. This provision may encourage companies interested in acquiring us to negotiate in advance with our board of directors because the stockholder approval requirement would be avoided if our board of directors approves either the business combination or the transaction that results in the stockholder becoming an interested stockholder. These provisions also may have the effect of preventing changes in our board of

directors and may make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

Our amended and restated certificate of incorporation will provide that so long as the Voting Group and their permitted transferees represent more than 15% of the Class B common stock held by the Voting Group and their permitted transferees as of immediately following the consummation of this offering, the voting power and any of their respective direct or indirect transferees, and any group as to which such persons are a party, do not constitute "interested stockholders" for purposes of this provision. If at any time the Voting Group owns less than 15% of the shares they owned at the consummation of this Offering, we will opt back in and be governed by the provisions of Section 203.

No Cumulative Voting

Under Delaware law, the right to vote cumulatively does not exist unless the certificate of incorporation specifically authorizes cumulative voting. Our amended and restated certificate of incorporation does not authorize cumulative voting. Therefore, stockholders holding a majority of the shares of our stock entitled to vote generally in the election of directors will be able to elect all our directors.

Special Stockholder Meetings

Our amended and restated certificate of incorporation will provide that special meetings of our stockholders may be called at any time only by or at the direction of the board of directors or the chairman of the board of directors. Our amended and restated bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting. These provisions may have the effect of deferring, delaying, or discouraging hostile takeovers, or changes in control or management of the Company.

Director Nominations and Stockholder Proposals

Our amended and restated bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors. In order for any matter to be "properly brought" before a meeting, a stockholder will have to comply with advance notice requirements and provide us with certain information. Generally, to be timely, a stockholder's notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the immediately preceding annual meeting of stockholders. Our amended and restated bylaws also specify requirements as to the form and content of a stockholder's notice. Our amended and restated bylaws allow the chairman of the meeting at a meeting of the stockholders to adopt rules and regulations for the conduct of meetings that may have the effect of precluding the conduct of certain business at a meeting if the rules and regulations are not followed. These provisions may also defer, delay, or discourage a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to influence or obtain control of the Company.

Stockholder Action by Written Consent

Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice, and without a vote if a consent or consents in writing, setting forth the action so taken, is or are signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless our amended and restated certificate of incorporation will provide otherwise. Our amended and restated certificate of incorporation will preclude stockholder action by written consent, except with

respect to matters to be voted on solely by the holders of Class B common stock or preferred stock, if any, voting separately as a class, at any time when the Voting Group controls, in the aggregate, less than 30% of the voting power of our stock entitled to vote generally in the election of directors, unless such action is unanimously recommended by the board.

Amendment of Amended and Restated Certificate of Incorporation or Bylaws

The DGCL provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. Upon consummation of this offering, our bylaws may be amended or repealed by a majority vote of our board of directors or by the affirmative vote of the holders of at least $66^2/_3\%$ of the votes which all our stockholders would be entitled to cast in any annual election of directors. In addition, the affirmative vote of the holders of at least $66^2/_3\%$ of the votes which all our stockholders would be entitled to cast in any election of directors will be required to amend, repeal, or adopt certain provisions of our amended and restated certificate of incorporation.

The foregoing provisions of our amended and restated certificate of incorporation and bylaws could discourage potential acquisition proposals and could delay or prevent a change in control. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by our board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares of Class A common stock that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management or delaying or preventing a transaction that might benefit you or other minority stockholders.

Dissenters' Rights of Appraisal and Payment

Under the DGCL, with certain exceptions, our stockholders will have appraisal rights in connection with a merger or consolidation of us. Pursuant to the DGCL, stockholders who properly request and perfect appraisal rights in connection with such merger or consolidation will have the right to receive payment of the fair value of their shares as determined by the Delaware Court of Chancery.

Stockholders' Derivative Actions

Under the DGCL, any of our stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of our shares at the time of the transaction to which the action relates or such stockholder's stock thereafter devolved by operation of law.

Exclusive Forum

Our amended and restated certificate of incorporation will provide that unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for any (i) derivative action or proceeding brought on behalf of our Company, (ii) action asserting a claim of breach of a fiduciary duty owed by any director or officer of our Company to the Company or the Company's stockholders, creditors, or other constituents, (iii) action asserting a claim against the Company or any director or officer of the Company arising pursuant to any provision of the DGCL or our amended and restated certificate of incorporation or our

amended and restated bylaws, or (iv) action asserting a claim against the Company or any director or officer of the Company governed by the internal affairs doctrine provided, however, that, in the event that the Court of Chancery of the State of Delaware lacks subject matter jurisdiction over any such action or proceeding, the sole and exclusive forum for such action or proceeding shall be another state or federal court located within the State of Delaware, in each such case, unless the Court of Chancery (or such other state or federal court located within the State of Delaware, as applicable) has dismissed a prior action by the same plaintiff asserting the same claims because such court lacked personal jurisdiction over an indispensable party named as a defendant therein. The Court of Chancery of the State of Delaware is not the sole and exclusive forum for actions brought under the federal securities laws. Nothing in our amended and restated certificate of incorporation precludes stockholders that assert claims under Section 22 of the Securities Act or Section 27 of the Exchange Act from bringing such claims in state or federal court, subject to applicable law. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Company shall be deemed to have notice of and consented to the forum provisions in our amended and restated certificate of incorporation. However, the enforceability of similar forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be unenforceable. Although we believe these provisions benefit us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against us or our directors and officers.

Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties, subject to certain exceptions. Our amended and restated certificate of incorporation includes a provision that eliminates the personal liability of directors for monetary damages to the corporation or its stockholders for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. The effect of these provisions is to eliminate the rights of us and our stockholders, through stockholders' derivative suits on our behalf, to recover monetary damages from a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior. However, exculpation does not apply to any breaches of the director's duty of loyalty, any acts or omissions not in good faith or that involve intentional misconduct or knowing violation of law, any authorization of dividends or stock redemptions or repurchases paid or made in violation of the DGCL, or for any transaction from which the director derived an improper personal benefit.

Our amended and restated bylaws generally provide that we must indemnify and advance expenses to our directors and officers to the fullest extent authorized by the DGCL. We also are expressly authorized to carry directors' and officers' liability insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification and advancement provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability, indemnification and advancement provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

Indemnification Agreements

We intend to enter into an indemnification agreement with each of our directors and executive officers as described in "*Certain Relationships and Related Person Transactions—Indemnification Agreements*." Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors or executive officers, we have been informed that in the opinion of the SEC such indemnification is against public policy and is therefore unenforceable.

Transfer Agent and Registrar

The transfer agent and registrar for shares of our Class A common stock will be American Stock Transfer Trust Company, LLC.

Listing

We have applied to list our Class A common stock on the NASDAQ Global Select Market under the symbol "SDC."

U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of our Class A common stock by a Non-U.S. Holder (as defined below) that holds our Class A common stock as a capital asset (generally, property held for investment). This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Department regulations promulgated thereunder ("Regulations"), judicial decisions, administrative pronouncements and other relevant applicable authorities, all as currently in effect as of the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect).

This discussion does not address all U.S. federal income tax considerations that may be applicable to Non-U.S. Holders in light of their particular circumstances or Non-U.S. Holders subject to special treatment under U.S. federal income tax law, such as:

- banks, insurance companies and other financial institutions;
- brokers, dealers or traders in securities;
- certain former citizens or residents of the United States;
- persons that elect to mark their securities to market;
- persons holding our Class A common stock as part of a straddle, hedge, conversion or other integrated transaction;
- persons who acquired shares of our Class A common stock as compensation or otherwise in connection with the performance of services;
- controlled foreign corporations;
- passive foreign investment companies; and
- tax-exempt organizations.

In addition, this discussion does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift, alternative minimum tax or Medicare contribution tax considerations. Non-U.S. Holders should consult their tax advisors regarding the particular tax considerations to them of owning and disposing of our Class A common stock.

For purposes of this discussion, a "Non-U.S. Holder" is a beneficial owner of our Class A common stock that is not for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (i) the administration of which is subject to the primary supervision of a court within the United States and for which one or more U.S. persons have the authority to control all substantial decisions, or (ii) that has otherwise validly elected to be treated as a U.S. person under the applicable Regulations.

If a partnership (or other entity or arrangement treated as a partnership or other pass-through entity for U.S. federal income tax purposes) holds our Class A common stock, the tax treatment of a partner or beneficial owner of the entity will generally depend on the status of the owner and the activities of the entity. Partners in a partnership (or beneficial owners of another entity or arrangement treated as a partnership or other pass-through entity for U.S. federal income tax purposes) should consult their tax advisors regarding the tax considerations of an investment in our Class A common stock.

Distributions on Our Class A Common Stock

As discussed under the section titled "*Dividend Policy*," we do not currently anticipate paying cash dividends to our Class A common stockholders. In the event that we do make distributions of cash or property (other than certain stock distributions) with respect to our Class A common stock (or that we engage in certain redemptions that are treated as distributions with respect to Cass A common stock), any such distributions generally will be treated as dividends to the extent paid from our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). If a distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), the excess will be treated first as a tax-free return of capital to the extent of a Non-U.S. Holder's adjusted tax basis in our Class A common stock and thereafter as capital gain from the sale, exchange or other taxable disposition of our Class A common stock, with the tax treatment described below in "*—Sale, Exchange or Other Disposition of Our Class A Common Stock*."

Distributions treated as dividends paid on our Class A common stock to a Non-U.S. Holder will generally be subject to U.S. federal withholding tax at a 30% rate, or a reduced rate specified by an applicable income tax treaty. In order to obtain a reduced rate of withholding under an applicable income tax treaty, a Non-U.S. Holder will generally be required to (i) provide a properly executed IRS Form W-8BEN or IRS Form W-8BEN-E (or any appropriate successor or replacement forms), as applicable, certifying that it is not a U.S. person as defined under the Code and that it is entitled to benefits under the treaty or (ii) if such Non-U.S. Holder's Class A common stock is held through certain foreign intermediaries or foreign partnerships, satisfy the relevant certification requirements of applicable Treasury regulations. A Non-U.S. Holder that does not timely furnish the required documentation but that is eligible for a reduced rate of U.S. federal withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Subject to the discussion below under "*—Foreign Account Tax Compliance Act Withholding Taxes*," no amounts in respect of U.S. federal withholding tax will be withheld from dividends paid to a Non-U.S. Holder if the dividends are effectively connected with such Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base maintained by such Non-U.S. Holder in the United States) and the Non-U.S. Holder provides a properly executed IRS Form W-8ECI or other applicable or successor form. Instead, the effectively connected dividends will generally be subject to regular U.S. income tax on a net income basis as if the Non-U.S. Holder were a U.S. person as defined under the Code. A Non-U.S. Holder that is a treated as a corporation for U.S. federal income tax purposes receiving effectively connected dividends may also be subject to an additional "branch profits tax" imposed at a rate of 30% (or a lower treaty rate) on its effectively connected earnings and profits (subject to certain adjustments).

Sale, Exchange or Other Disposition of Our Class A Common Stock

A Non-U.S. Holder will generally not be subject to U.S. federal income tax on gain realized on a sale, exchange or other disposition of our Class A common stock unless:

- such gain is effectively connected with a trade or business conducted by such Non-U.S. Holder in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base maintained by such Non-U.S. Holder in the United States), in which case such gain will generally be subject to U.S. federal income tax in the same manner as effectively connected dividend income as described above;

- such Non-U.S. Holder is an individual present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met, in which case such gain will generally be subject to U.S. federal income tax at a rate of 30% (or a lower treaty rate), which gain may be offset by certain U.S.-source capital losses even though the individual is not considered a

resident of the United States, provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses; or

- we are or become a United States real property holding corporation (as defined in section 897(c) of the Code, a "USRPHC"), at any time within the shorter of the five-year period preceding the disposition or the Non-U.S. Holder's holding period, and either (i) our Class A common stock is not regularly traded on an established securities market prior to the beginning of the calendar year in which the sale or disposition occurs, or (ii) the Non-U.S. Holder has owned or is deemed to have owned, at any time within the shorter of the five-year period preceding the disposition or the Non-U.S. Holder's holding period, more than 5% of our Class A common stock.

Although there can be no assurance in this regard, we believe that we are not a USRPHC and we do not anticipate becoming a USRPHC for U.S. federal income tax purposes.

Foreign Account Tax Compliance Act Withholding Taxes

Certain rules may require withholding at a rate of 30% on dividends in respect of our Class A common stock held by or through certain foreign financial institutions (including investment funds), unless such institution (i) enters into, and complies with, an agreement with the Treasury Department to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution to the extent such interests or accounts are held by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold on certain payments or (ii) complies with an intergovernmental agreement between the United States and an applicable foreign country to report such information to its local tax authority, which will exchange such information with the U.S. authorities. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements. Accordingly, the entity through which our Class A common stock is held will affect the determination of whether such withholding is required. Similarly, dividends in respect of our Class A common stock held by an investor that is a non-financial non-U.S. entity that does not qualify under certain exemptions will be subject to withholding at a rate of 30%, unless such entity either (i) certifies that such entity does not have any "substantial United States owners" or (ii) provides certain information regarding the entity's "substantial United States owners," which we or the applicable withholding agent will in turn provide to the Treasury Department. We will not pay any amounts to holders in respect of any amounts withheld. Non-U.S. Holders should consult their tax advisors regarding the possible implications of this withholding tax on their investment in our Class A common stock.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our Class A common stock. No prediction is made as to the effect, if any, future sales of shares, or the availability for future sales of shares, will have on the market price of our Class A common stock prevailing from time to time. The sale of substantial amounts of our Class A common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of our Class A common stock.

Upon consummation of this offering and after giving effect to the use of proceeds therefrom, we will have outstanding 104,825,858 shares of Class A common stock (or 112,659,359 shares of Class A common stock if the underwriters' option to purchase additional shares of Class A common stock is exercised in full) and 281,863,766 shares of Class B common stock. The shares of Class A common stock sold in this offering (other than any shares sold pursuant to our directed share program, which will be subject to "lock-up" restrictions as described under "*Underwriting (Conflicts of Interest)*") will be freely tradable without restriction or further registration under the Securities Act, except for any Class A common stock held by our "affiliates," as defined in Rule 144, which would be subject to the limitations and restrictions described below.

In addition, subject to the terms and conditions of the SDC Financial LLC Agreement, the Continuing LLC Members can, from time to time, exchange their LLC Units (with automatic cancellation of an equal number of shares of Class B common stock) for shares of our Class A common stock on a one-for-one basis, subject to customary adjustments for stock splits, stock dividends and reclassifications, or for cash (based upon the market price of the shares of Class A common stock), with the form of consideration determined by the disinterested members of our board of directors. Upon the consummation of this offering and after giving effect to the use of proceeds therefrom, the Continuing LLC Members will hold 281,863,766 LLC Units (or 274,652,696 LLC Units if the underwriters' option to purchase additional shares of Class A common stock is exercised in full), all of which will be exchangeable (with automatic cancellation of an equal number of shares of Class B common stock) for shares of our Class A common stock or cash (based on the market price of the shares of Class A common stock), with the form of consideration by the disinterested members of our board of directors. Any shares of Class A common stock we issue upon such exchanges would be "restricted securities," as defined in Rule 144, unless we register such issuances.

Registration Statement on Form S-8

In addition, the greater of 55,412,074 or 11.5% of the authorized, issued, and outstanding shares of Class A common stock as of the consummation of this offering may be granted under our Omnibus Plan and SPP, which amount may be subject to annual adjustment. See "*Executive and Director Compensation—Anticipated Equity Compensation Additions to Our Compensation Program Following the Offering—2019 Omnibus Incentive Plan*" and "*—Stock Purchase Plan*." We intend to file one or more registration statements on Form S-8 under the Securities Act to register shares of our Class A common stock or securities convertible into or exchangeable for shares of our Class A common stock issued pursuant to our Omnibus Plan and SPP. Any such registration statement on Form S-8 will automatically become effective upon filing. Accordingly, shares of Class A common stock registered under such registration statement will be available for sale in the open market, subject to any vesting restrictions or the lock-up restrictions and Rule 144 limitations applicable to affiliates described below.

Registration Rights

We are party to the Registration Rights Agreement, whereby, following the expiration of the 180-day lock-up period related to this offering, we may be required to register under the Securities Act the sale of shares of our Class A common stock held by Pre-IPO Investors, including shares issuable to Continuing LLC Members upon exchange of their LLC Units. Shares of Class A common stock registered

pursuant to the Registration Rights Agreement will also be available for sale in the open market upon such registration unless restrictions apply. See "*Certain Relationships and Related Party Transactions—Registration Rights Agreement*."

Lock-Up of Our Class A Common Stock

We, all of our directors and officers, and substantially all of the Pre-IPO Investors, have agreed with the underwriters, subject to certain exceptions, not to (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of Class A common stock (including any shares acquired pursuant to our directed share program) or any securities convertible into or exercisable or exchangeable for shares of Class A common stock; (ii) file any registration statement with the SEC relating to the offering of any shares of Class A common stock or any securities convertible into or exercisable or exchangeable for Class A common stock; or (iii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Class A common stock, whether owned directly by such member (including holding as a custodian) or with respect to which such member has beneficial ownership within the rules and regulations of the SEC, during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of J.P. Morgan Securities LLC. Currently, the underwriters have no current intention to release the aforementioned holders of our Class A common stock from the lock-up restrictions described above. Our lock-up agreement will provide for certain exceptions. See "*Underwriting (Conflicts of Interest)*."

Rule 144

The shares of Class A common stock to be issued upon exchange of the LLC Units and other shares of Class A common stock not sold in this offering will be, when issued, "restricted" securities under the meaning of Rule 144, and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including the exemption provided by Rule 144.

In general, under Rule 144, a person (or persons whose shares are aggregated) who is not deemed to have been an "affiliate" of ours at any time during the three months preceding a sale, and who has held restricted securities (within the meaning of Rule 144) for at least six months (including any period of consecutive ownership of preceding non-affiliated holders) would be entitled to sell those securities, subject only to the availability of current public information about us. As defined in Rule 144, an "affiliate" of an issuer is a person that directly, or indirectly, through one or more intermediaries, controls, or is under common control with the issuer. A non-affiliated person who has held restricted securities within the meaning of Rule 144 for at least one year would be entitled to sell those securities without regard to the provisions of Rule 144.

A person (or persons whose securities are aggregated) who is deemed to be an affiliate of ours and who has held restricted securities (within the meaning of Rule 144) for at least six months would be entitled to sell within any three-month period a number of securities that does not exceed the greater of one percent of the then outstanding shares of securities of such class or the average weekly trading volume of securities of such class during the four calendar weeks preceding such sale. Such sales are also subject to certain manner of sale provisions, notice requirements and the availability of current public information about us (which requires that we are current in our periodic reports under the Exchange Act).

UNDERWRITING (CONFLICTS OF INTEREST)

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom J.P. Morgan Securities LLC and Citigroup Global Markets Inc. are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the number of shares of Class A common stock indicated below:

Underwriter	Number of Shares
J.P. Morgan Securities LLC	
Citigroup Global Markets Inc.	
BofA Securities, Inc.	
Jefferies LLC	
UBS Securities LLC	
Credit Suisse Securities (USA) LLC	
Guggenheim Securities, LLC	
Stifel, Nicolaus & Company, Incorporated	
William Blair & Company, L.L.C.	
Loop Capital Markets LLC	
Total	

The underwriters and the representatives are collectively referred to as the "underwriters" and the "representatives," respectively. The underwriters are offering our shares of Class A common stock subject to their acceptance of the shares of Class A common stock from us. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of our shares of Class A common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of our shares of Class A common stock offered by this prospectus if any such shares of Class A common stock are taken. However, the underwriters are not required to take or pay for our shares of Class A common stock covered by the underwriters' option to purchase additional shares described below.

The underwriters initially propose to offer part of our shares of Class A common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers at that price less a concession not in excess of $ per share. Any such dealers may resell shares to certain other brokers or dealers at a discount of up to $ per share from the initial public offering price. After the initial offering of our shares of Class A common stock, the offering price and other selling terms may from time to time be varied by the underwriters. Sales of shares outside of the United States may be made by affiliates of the underwriters.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an additional 8,780,550 shares of Class A common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions, solely to cover over-allotments, if any. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of Class A common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of Class A common stock listed next to the names of all underwriters in the preceding table.

At our request, the underwriters have reserved up to 5% of the Class A common stock being offered by this prospectus for sale at the initial public offering price to our directors, officers, employees, other individuals associated with us, and members of their families. The sales will be made by UBS Financial Services Inc., a selected dealer affiliated with UBS Securities LLC, an underwriter of this offering, through a directed share program. We do not know if these persons will choose to purchase all or any portion of

these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares of Class A common stock. Participants in the directed share program who are allocated any shares shall be subject to a 180-day lock-up with respect to any shares sold to them pursuant to that program. This lock-up will have similar restrictions to the lock-up agreements described below. Any shares sold in the directed share program to our directors, executive officers or selling stockholders shall be subject to the lock-up agreements described below.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional 8,780,550 shares of Class A common stock.

		Total	
	Per Share	No Exercise	Full Exercise
Public offering price	$	$	$
Underwriting discounts and commissions to be paid by us	$	$	$
Proceeds, before expenses, to us	$	$	$

We expect the expenses payable by us in this offering, exclusive of the underwriting discounts and commissions, to be approximately $10,000,000. We have agreed to reimburse the underwriters for all expenses related to the clearance of the offering with the Financial Industry Regulatory Authority in an amount not to exceed $30,000.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of our shares of Class A common stock offered by them.

We have applied to list our Class A common stock on the NASDAQ Global Select Market under the symbol "SDC."

We, our officers, directors, and certain of the Pre-IPO Investors have agreed that, subject to enumerated exceptions, for a period of 180 days from the date of this prospectus, we and they will not, without the prior written consent of J.P. Morgan Securities LLC, offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of any shares of our Class A common stock, or any options or warrants to purchase any shares of our Class A common stock, or any securities convertible into, exchangeable for or that represent the right to receive shares of our Class A common stock. J.P. Morgan Securities LLC may, in its sole discretion, release any of the securities subject to these lock-up agreements at any time, which, in the case of officers and directors, shall be with notice.

In order to facilitate the offering of our shares of Class A common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of our common stock. Specifically, the underwriters may sell more shares of Class A common stock than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares of Class A common stock available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares of Class A common stock in the open market. In determining the source of our shares of Class A common stock to close out a covered short sale, the underwriters will consider, among other things, the open market price of our common stock compared to the price available under the over-allotment option. The underwriters may also sell our shares of Class A common stock in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing our shares of Class A common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for,

and purchase, our shares of Class A common stock in the open market to stabilize the price of our common stock. These activities may raise or maintain the market price of our common stock above independent market levels or prevent or retard a decline in the market price of our common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of our shares of Class A common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

Pricing of the Offering

Prior to this offering, there has been no public market for our Class A common stock. The initial public offering price was determined by negotiations among us and the representatives. Among the factors considered in determining the initial public offering price were our future prospects and those of our industry in general, our sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours.

Conflicts of Interest

As described in "*Use of Proceeds*" and "*Certain Relationships and Related Party Transactions—Purchase of LLC Units*," a portion of the net proceeds from this offering will be received by the Margin Loan Parties, who are certain of our directors and officers. A portion of the proceeds received by the Margin Loan Parties, in an amount greater than 5% of the total net proceeds in this offering, will be used to repay borrowings by the Margin Loan Parties under certain margin loans with an affiliate of UBS Securities LLC. Because UBS Securities LLC is an underwriter in this offering and one of its affiliates will receive 5% or more of the net proceeds from the sale of our Class A common stock in this offering, UBS Securities LLC is deemed to have a "conflict of interest" under Rule 5121 of FINRA. Accordingly, this offering is being made in compliance with the requirements of Rule 5121. Pursuant to that rule, the appointment of a "qualified independent underwriter" is not required in connection with this offering as the members primarily responsible for managing the public offering do not have a conflict of interest, are not affiliates of any member that has a conflict of interest and meet the requirements of paragraph (f)(12)(E) of Rule 5121. UBS Securities LLC will not confirm sales of our Class A common stock in this offering to any account over which it exercises discretionary authority without the specific written approval of the account holder.

Other Relationships

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

In addition, in the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such

securities and instruments. Such investment and securities activities may involve our securities and instruments. The underwriters and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments. In addition, JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities LLC, one of the underwriters in this offering, is the administrative agent, the collateral agent, and a lender under our Revolving Credit Facility.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area (each, a "Member State"), no offer of shares of our Class A common stock may be made to the public in that Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the representatives; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of shares shall require us or any of our representatives to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation and each person who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with each of the representatives and us that it is a "qualified investor" as defined in the Prospectus Regulation.

In the case of any shares being offered to a financial intermediary as that term is used in Article 5 of the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a nondiscretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Member State means the communication in any form and by means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase shares, the expression "Prospectus Regulation" means Regulation (EU) 2017/1129 (as amended).

United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

France

Neither this prospectus nor any other offering material relating to the shares described in this prospectus has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or by the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers*.

The shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus nor any other offering material relating to the shares has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the shares to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, Article L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code *monétaire et financier*;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1° -or-2° -or 3° of the French Code *monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

The shares may be resold directly or indirectly, only in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code *monétaire et financier*.

Canada

Our shares may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of our shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Hong Kong

Our shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) ("Companies (Winding Up and Miscellaneous Provisions) Ordinance") or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("Securities and Futures Ordinance"), or (ii) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to our shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to our shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of our shares may not be circulated or distributed, nor may our shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined under Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA")) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to conditions set forth in the SFA.

Where our shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired our shares under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

Our shares have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. Our shares may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 (Cth) of Australia ("Corporations Act")) in relation to the shares has been or will be lodged with the Australian Securities & Investments Commission ("ASIC"). This document has not been lodged with ASIC and is only directed to certain categories of exempt persons. Accordingly, if you receive this document in Australia:

(a) you confirm and warrant that you are either:

i. a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act;

ii. a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to us which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;

iii. a person associated with the company under section 708(12) of the Corporations Act; or

iv. a "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act, and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this document is void and incapable of acceptance; and

(b) you warrant and agree that you will not offer any of the common shares for resale in Australia within 12 months of the common shares being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

Chile

The shares are not registered in the Securities Registry (*Registro de Valores*) or subject to the control of the Chilean Securities and Exchange Commission (*Superintendencia de Valores y Seguros de Chile*). This prospectus and other offering materials relating to the offer of the shares do not constitute a public offer of, or an invitation to subscribe for or purchase, the shares in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (*Ley de Mercado de Valores*) (an offer that is not "addressed to the public at large or to a certain sector or specific group of the public").

Dubai

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers.

The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The securities to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

LEGAL MATTERS

The validity of the issuance of the shares of Class A common stock offered hereby will be passed upon for SmileDirectClub, Inc. by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York. Certain legal matters will be passed upon for the underwriters by Latham & Watkins LLP, New York, New York.

EXPERTS

The consolidated financial statements of SDC Financial, LLC and subsidiaries as of and for the years ended December 31, 2018 and 2017, appearing in this Registration Statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

CHANGE IN PRINCIPAL ACCOUNTANT

In 2018, SDC Financial decided to engage new auditors as its independent accountants to audit its financial statements. SDC Financial's board of directors approved the change of accountants to Ernst & Young LLP. Accordingly, we dismissed Crowe LLP on October 2, 2018.

During the two most recent fiscal years, and the subsequent interim periods through October 2, 2018, there were no disagreements with Crowe on any matter of accounting principles or practices, financial statement disclosure, or auditing scope procedure. The report of the financial statements of SmileDirectClub, LLC (SDC Financial's predecessor for accounting purposes) prepared by Crowe under AICPA auditing standards for the 2017 fiscal year did not contain an adverse opinion or a disclaimer or opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles. During the two most recent fiscal years, and the subsequent interim periods through October 2, 2018, there were no "reportable events" (as defined in Item 304(a)(1)(v) of Regulation S-K and the instructions thereto).

A letter from Crowe confirming the above statement was provided to the Securities and Exchange Commission on September 3, 2019 and filed as Exhibit 16.1 to this registration statement.

We have engaged Ernst & Young as of November 8, 2018. During the last two fiscal years and the subsequent periods preceding their engagement, Ernst & Young was not consulted on any matter relating to accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC, a registration statement on Form S-1 under the Securities Act with respect to the shares of Class A common stock offered by this prospectus. This prospectus, filed as part of the registration statement, does not contain all of the information set forth in the registration statement and its exhibits and schedules. You can find further information about us in the registration statement and its exhibits and schedules. Statements in this prospectus about the contents of any contract, agreement or other document are not necessarily complete and, in each instance, we refer you to the copy of such contract, agreement or document filed as an exhibit to the registration statement, with each such statement being qualified in all respects by reference to the document to which it refers. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. You may inspect these reports and other information without charge at the SEC's website (http://www.sec.gov).

Upon the completion of this offering, we will become subject to the informational requirements of the Exchange Act, as amended, and will be required to file periodic current reports, proxy statements and other information with the SEC. You will be able to inspect this material without charge at the SEC's website. We intend to furnish our stockholders with annual reports containing financial statements audited by an independent accounting firm.

In addition, following the completion of this offering, we will make the information filed with or furnished to the SEC available free of charge through our website (http://www.SmileDirectClub.com) as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information contained in, or that can be accessed through, our website is not incorporated by reference and is not part of this prospectus.

INDEX TO FINANCIAL STATEMENTS

SDC Financial, LLC

Report of Independent Registered Public Accounting Firm

To the Members and the Board of Directors of SDC Financial, LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SDC Financial, LLC and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, members' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2018.
Nashville, Tennessee
April 26, 2019

SDC FINANCIAL, LLC AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(in thousands)

	December 31	
	2018	2017
Cash	$ 313,929	$ 4,071
Accounts receivable	113,934	33,741
Inventories	8,781	2,723
Prepaid and other current assets	5,782	2,378
Total current assets	442,426	42,913
Accounts receivable, non-current	60,217	11,600
Property, plant and equipment, net	52,551	11,893
Total assets	**$ 555,194**	**$ 66,406**
Accounts payable	$ 25,250	$ 7,916
Accrued liabilities	34,939	13,944
Due to related parties	20,305	14,721
Deferred revenue	19,059	12,437
Current portion of related party debt	16,054	15,270
Current portion of long-term debt	1,866	—
Total current liabilities	117,473	64,288
Long term debt, net of current portion	137,123	—
Long-term related party debt	1,799	35,397
Other long term liabilities	602	575
Total liabilities	256,997	100,260
Commitment and contingencies		
Redeemable Series A Preferred Units	388,634	—
Member deficit	(90,752)	(34,169)
Warrants	315	315
Total members' deficit	(90,437)	(33,854)
Total liabilities, Redeemable Series A Preferred Units and members' deficit	**$ 555,194**	**$ 66,406**

The accompanying notes are an integral part of these Consolidated Financial Statements.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Consolidated Statements of Operations

For the years ended December 31, 2018 and 2017

(in thousands, except per unit data)

	December 31	
	2018	2017
Revenue, net	$ 398,127	$ 140,268
Financing revenue	25,107	5,686
Total revenues	423,234	145,954
Cost of revenues	98,048	35,365
Cost of revenues—related parties	35,920	28,646
Total cost of revenues	133,968	64,011
Gross profit	289,266	81,943
Marketing and selling expenses	213,080	64,243
General and administrative expenses	121,743	48,202
Loss from operations	(45,557)	(30,502)
Interest expense	12,532	—
Interest expense—related parties	1,173	2,148
Other expense	15,148	—
Net loss before provision for income tax expense	(74,410)	(32,650)
Provision for income tax expense	361	128
Net loss	$ (74,771)	$ (32,778)

The accompanying notes are an integral part of these Consolidated Financial Statements.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Consolidated Statements of Members' Deficit

For the years ended December 31, 2018 and 2017

(in thousands, except unit data)

	Members' Deficit		Warrants		
	Units	Amount	Units	Amount	Total
Balances at January 1, 2017	**109,529**	**$ (7,209)**	**369**	**$ 315**	**$ (6,894)**
Sales of member units	2,153	12,764	—	—	12,764
Redemption of member units	(2,153)	(12,396)	—	—	(12,396)
Unitholder distribution	—	(1,410)	—	—	(1,410)
Forfeiture of unvested member units	(2,679)	—	—	—	—
Grant of incentive member units	2,191	—	—	—	—
Equity-based compensation	—	6,860	—	—	6,860
Net loss	—	(32,778)	—	—	(32,778)
Balances at December 31, 2017	**109,041**	**$ (34,169)**	**369**	**$ 315**	**$ (33,854)**
Sale of member units, net	—	—	—	—	
Redemption of member units	(271)	(1,544)	—	—	(1,544)
Unitholder distribution	—	(21)	—	—	(21)
Grant of incentive member units	108	—	—	—	—
Tax distributions paid	—	(86)	—	—	(86)
Equity-based compensation	—	19,839	—	—	19,839
Net loss	—	(74,771)	—	—	(74,771)
Balances at December 31, 2018	**108,878**	**$ (90,752)**	**369**	**$ 315**	**$ (90,437)**

The accompanying notes are an integral part of these Consolidated Financial Statements.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(in thousands)

	December 31	
	2018	2017
Operating Activities		
Net loss	$ (74,771)	$ (32,778)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	8,861	2,513
Deferred loan cost amortization	4,319	
Accrued interest to related parties	1,152	1,095
Fair value adjustment of warrant derivative	14,500	—
Equity-based compensation	19,839	6,860
Other non-cash operating activities	646	119
Changes in operating assets and liabilities:		
Accounts receivable	(128,811)	(35,804)
Inventories	(6,058)	(721)
Prepaid and other current assets	(4,612)	(2,000)
Accounts payable	24,449	2,307
Accrued liabilities	13,494	14,380
Due to related parties	5,584	13,925
Deferred revenue	6,622	(164)
Net cash used in operating activities	(114,786)	(30,268)
Investing Activities		
Purchases of property and equipment—related parties	(15,135)	(3,437)
Purchases of property and equipment	(26,706)	(6,590)
Net cash used in investing activities	(41,841)	(10,027)
Financing Activities		
Proceeds from sale of Series A units	400,212	—
Payments of Series A offering costs	(11,578)	—
Proceeds from the sale of member units	—	12,764
Member tax distributions	(86)	—
Redemptions of member units	—	(1,602)
Unitholder advance	—	(1,398)
Borrowings on long-term debt	117,375	36,000
Payments of issuance costs	(3,514)	—
Principal payments on related party debt	(35,532)	(7,799)
Payments on other long-term liabilities	(392)	—
Net cash provided by financing activities	466,485	37,965
Increase in cash	309,858	(2,330)
Cash at beginning of year	4,071	6,401
Cash at end of year	$ 313,929	$ 4,071

The accompanying notes are an integral part of these Consolidated Financial Statements.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies

Business Description

SDC Financial, LLC ("SDC Financial") is a Tennessee limited liability company and wholly owns SmileDirectClub, LLC (a Tennessee limited liability company) and Access Dental Lab, LLC (a Tennessee limited liability company), collectively herein referred to as (the "Company", "we", "our"). The Company's direct-to-consumer model provides customers with a customized clear aligner therapy treatment delivered through its teledentistry platform. The Company integrates the marketing, aligner manufacturing, and fulfillment, and provides a proprietary web-based teledenstistry platform for the monitoring of treatment by licensed dentists and orthodontists through the completion of a member's treatment. The Company is headquartered in Nashville, Tennessee and has locations throughout the U.S, Puerto Rico, Canada, and Costa Rica.

Basis of Presentation and Consolidation

The consolidated financial statements include the accounts of SDC Financial and its wholly-owned subsidiaries, as well as accounts of contractually affiliated professional corporations ("PC's") managed by the Company.

The consolidated financial statements include the accounts of variable interest entities in which the Company is the primary beneficiary under the provisions of Accounting Standards Codification ("ASC") Topic 810, *Consolidation*. At December 31, 2018, the variable interest entities include 31 dentist owned PC's and at December 31, 2017 the variable interest entities included 44 dentist owned PC's. The Company is a dental service organization and does not engage in the practice of dentistry. All clinical services are provided by dentists and orthodontists who are employed as independent contractors or otherwise engaged by the dentist-owned PC's. The Company contracts with the PC's and dentists and orthodontists through a suite of agreements, including but not limited to, management services agreements, supply agreements, and licensing agreements, pursuant to which the Company provides the administrative, non-clinical management services to the PC's and independent contractors. The Company has the contractual right to manage the activities that most significantly impact the variable interest entities' economic performance through these agreements without engaging in the corporate practice of dentistry. Additionally, the Company would absorb the substantially all of the expected losses of these entities should they occur. The accompanying consolidated statements of operations reflect the revenue earned and the expenses incurred by the PC's.

All significant intercompany balances and transactions are eliminated in consolidation.

Management Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that impact the reported amounts. On an ongoing basis, the Company evaluates its estimates, including those related to the fair values of financial instruments, useful lives of property, plant and equipment, revenue recognition, equity-based compensation, long-lived assets, and contingent liabilities, among others. Each of these estimates varies in regard to the level of judgment involved and its potential impact on the Company's financial results. Estimates are considered critical either when a different estimate could have reasonably been used, or where changes in the estimate are reasonably likely

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies (Continued)

to occur from period to period, and such use or change would materially impact the Company's financial condition, results of operations, or cash flows. Actual results could differ from those estimates.

Revenue Recognition

The Company's revenues are derived primarily from sales of aligners, impression kits, whitening gel, and retainers. Revenue is recorded for all customers based on the amount that is expected to be collected, which considers implicit price concessions, discounts and returns. The Company adopted ASC 606, "*Revenue from Contracts with Customers"* which outlines a single comprehensive model for recognizing revenue as performance obligations are transferred to the customer in exchange for consideration. This standard also requires expanded disclosures regarding the Company's revenue recognition policies and significant judgments employed in the determination of revenue. The Company adopted this standard effective January 1, 2017.

The Company identifies a performance obligation as distinct if both of the following criteria are met: the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer and the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. Determining the standalone selling price ("SSP") and allocation of consideration from a contract to the individual performance obligations, and the appropriate timing of revenue recognition, is the result of significant qualitative and quantitative judgments. Management considers a variety of factors such as historical sales, usage rates (the number of times a customer is expected to order additional aligners), costs, and expected margin, which may vary over time depending upon the unique facts and circumstances related to each performance obligation, in making these estimates. Further, the Company's process for estimating usage rates requires significant judgment and evaluation of inputs, including historical data and forecasted usages. Changes in the allocation of the SSP between performance obligations will not affect the amount of total revenues recognized for a particular contract. The Company uses the expected cost plus a margin approach to determine the SSP for performance obligations, and discounts are allocated to each performance obligation based on the relative standalone selling price. However, any material changes could impact the timing of revenue recognition, which may have a material effect on the Company's financial position and result of operations as the contract consideration is allocated to each performance obligation, delivered or undelivered, at the inception of the contract based on the SSP of each distinct performance obligation.

The Company estimates the amount expected to be collected based upon management's assessment of historical write-offs and expected net collections, business and economic conditions and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections as a primary source of information in estimating the amount of contract consideration expected to be collected and implicit price concessions. The Company believes its analysis provides reasonable estimates of its revenues and valuations of our accounts receivable. For the years ended December 31, 2018 and 2017, estimated implicit price concessions reduced contractual revenues by $46,554 and $16,826, respectively.

A description of the revenue recognition for each product sold by the Company is detailed below.

Aligners and impression kits: The Company enters into contracts with customers for aligner sales that involve multiple future performance obligations. Prior to September 2017, the Company manufactured and

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies (Continued)

delivered its aligners in multiple stages. Subsequent to September 2017, the Company manufactures and ships to a customer all aligners initially prescribed at the beginning of the treatment plan. In the event that a refinement or mid-course correction is prescribed, the Company will ship additional aligners as needed. The Company determined that aligner sales comprise the following distinct performance obligations: initial aligners, modified aligners, and refinement aligners which can occur at any time throughout the treatment plan (which is typically between five to ten months) upon the direction of and prescription from the treating dentist or orthodontist. The Company recognized $390,505 and $139,060 of aligner sales during the year ended December 31, 2018 and 2017, respectively.

The Company allocates revenues for each performance obligation based on it's SSP and recognizes the revenues as control of the performance obligation is transferred upon shipment of the aligners. The Company recognizes aligner revenue on amounts expected to be collected during the course of the treatment plan.

The Company bills its customers either upfront for the full cost of aligners or monthly through its *SmilePay* financing program, which involves a down payment and a fixed amount per month for up to 24 months. The Company's accounts receivable related to the SmilePay financing program are reported at the amount expected to be collected on the consolidated balance sheets, which considers implicit price concessions. Financing revenue from its accounts receivable is recognized based on the contractual market interest rate with the customer. The Company recognized $25,107 and $5,686 of financing revenue from its *SmilePay* program during the years ended December 31, 2018 and 2017, respectively, which is included in the consolidated statements of operations. There are no fees or origination costs included in accounts receivable.

The Company sells impression kits to its customers as an alternative to an in-person visit at one of its retail locations where the customer receives a free oral digital imaging of their teeth. The Company combines the sales of its impression kits with aligner sales and recognizes the revenues as control of the performance obligation is transferred upon shipment of the aligners. The Company estimates the amount of impression kit sales that do not result in an aligner therapy treatment plan and recognizes such revenue when aligner conversion becomes remote.

Retainers and Other Products: The Company sells retainers and other products (such as whitening gel) to customers which can be purchased on the Company's website. The sales of these products are independent and separate from the customer's decision to purchase aligner therapy treatment. The Company determined that the transfer of control for these performance obligations occurs as the title of such products passes to the customer.

Deferred Revenue: Deferred revenue represents the Company's contract liability for performance obligations associated with sales of aligners. During the years ended December 31, 2018 and 2017, the Company recognized $423,234 and $145,954 of revenue, respectively, of which $12,437 and $12,601 was previously included in deferred revenue on the consolidated balance sheets as of December 31, 2017 and 2016, respectively.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies (Continued)

Shipping and Handling Costs

Shipping and handling charges are recorded in cost of revenues in the consolidated statements of operations upon shipment. The Company incurred approximately $10,500 and $6,200 in outsourced shipping expenses for the years ended December 31, 2018 and 2017, respectively.

Cost of Revenues

Cost of revenues includes the total cost of products produced and sold. Such costs include direct materials, direct labor, overhead costs (occupancy costs, indirect labor, and depreciation), freight and duty expenses associated with moving materials from vendors to the Company's facilities and from its facilities to the customers, and adjustments for shrinkage (physical inventory losses), lower of cost or net realizable value, slow moving product and excess inventory quantities.

Marketing and Selling Expenses

Marketing and selling expenses include direct online and offline marketing and advertising costs, costs associated with intraoral imaging services, selling labor, and occupancy costs of SmileShop locations. All marketing and selling expenses are expensed as incurred. For the years ended December 31, 2018 and 2017, the Company incurred direct online and offline marketing and advertising costs of $153,645 and $54,067, respectively.

General and Administrative Expenses

General and administrative expenses include payroll and benefit costs for corporate team members, equity-based compensation expenses, occupancy costs of corporate facilities, bank charges and costs associated with credit and debit card interchange fees, outside service fees, and other administrative costs, such as computer maintenance, supplies, travel, and lodging.

Equity-Based Compensation

The Company recognizes equity-based compensation for units expected to vest for employees and non-employees on a straight-line basis over the requisite service period of the award. For employee awards, the Company determined the grant date fair value of the awards by estimating the total equity value by considering the future cash flows of the Company and the market multiples of companies engaged in similar businesses. The total equity value was allocated to the various classes of member units and warrants using the contingent claim analysis based on the Merton framework. For non-employee awards, the Company recognizes compensation based on the vesting date fair value of the awards using the same method as described above. Forfeitures are recorded as incurred. The assumptions used in calculating the fair value of equity-based awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and the Company uses different assumptions, its equity-based compensation could be materially different in the future.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies (Continued)

Depreciation and Amortization

Depreciation includes expenses related to the Company's property, plant and equipment, including capital leases. Amortization includes expenses related to definite-lived intangible assets. Depreciation and amortization is calculated using the straight-line method over the useful lives of the related assets, ranging from three to ten years. Leasehold improvements are amortized using the straight-line method over the shorter of the related lease terms or their useful lives. Depreciation and amortization is included in cost of revenues, selling expenses, and general and administrative expenses depending on the purpose of the related asset. Depreciation and amortization for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Cost of revenues	$ 4,719	$ 1,144
Marketing and selling expenses	1,429	208
General and administrative expenses	2,713	1,161
Total	$ 8,861	$ 2,513

Income Taxes

As a limited liability company, SDC Financial files its income tax returns as a partnership for federal and state tax purposes. As such, SDC Financial does not pay any federal income taxes, as any income or loss will be included in the tax returns of the individual members. The Company does pay state income tax in certain jurisdictions, and the Company's income tax provision in the consolidated financial statements reflects the income taxes for those states. Additionally, certain wholly-owned entities are required to be looked at on a stand-alone basis resulting in federal income taxes, and such federal income taxes are included in the consolidated financial statements.

Fair Value of Financial Instruments

The Company measures the fair value of financial instruments as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies (Continued)

inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1	—	Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2	—	Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
Level 3	—	Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The Company's financial instruments consist of cash, receivables, accounts payable, debt instruments, derivative financial instruments and preferred units classified as temporary equity. Due to their short-term nature, the carrying values of cash, receivables, trade payables, and debt instruments approximate current fair value at each balance sheet date. The derivative financial instruments are held at fair value, and the preferred units are recorded at the accreted redemption value. The Company had $144,400 and $41,700 in borrowings under its debt facilities (as discussed in Note 8) as of December 31, 2018 and 2017, respectively. Based on current market interest rates (Level 2 inputs), the carrying value of the borrowings under its debt facilities approximates fair value for each period reported.

Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with applicable accounting standards for such instruments and hedging activities, which require that all derivatives are recorded on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company had no outstanding derivatives at December 31, 2018 or 2017; however, the Company may enter into derivative contracts that are intended to economically hedge a certain portion of its risk, even though hedge accounting does not apply or the Company elects not to apply the hedge accounting standards.

Certain Risks and Uncertainties

The Company's operating results depend to a significant extent on the ability to market and develop its products. The life cycles of the Company's products are difficult to estimate due, in part, to the effect of

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies (Continued)

future product enhancements and competition. The inability to successfully develop and market the Company's products as a result of competition or other factors would have a material adverse effect on its business, financial condition and results of operations.

The Company provides credit to customers in the normal course of business. The Company maintains reserves for potential credit losses and such losses have been within management's expectations. No individual customer accounted for 1% or more of the Company's accounts receivable at December 31, 2018 or 2017, or net revenue for the years ended December 31, 2018 and 2017.

The Company's products are considered medical devices and are subject to extensive regulation in the U.S. and internationally. The regulations to which the Company is subject are complex. Regulatory changes could result in restrictions on the ability to carry on or expand its operations, higher than anticipated costs or lower than anticipated sales. The failure to comply with applicable regulatory requirements may have a material adverse impact on us.

The Company's reliance on international operations exposes it to related risks and uncertainties, including difficulties in staffing and managing international operations, such as hiring and retaining qualified personnel; political, social and economic instability; interruptions and limitations in telecommunication services; product and material transportation delays or disruption; trade restrictions and changes in tariffs; import and export license requirements and restrictions; fluctuations in foreign currency exchange rates; and potential adverse tax consequences. If any of these risks materialize, our operating results, may be harmed.

The Company purchases certain inventory from sole suppliers, and the inability of any supplier or manufacturer to fulfill the supply requirements could materially and adversely impact its future operating results.

Cash

Cash consists of all highly-liquid investments with original maturities of less than three months. Cash is held in various financial institutions in the U.S. and internationally.

Inventories

Inventories are stated at the lower of cost or net realizable value using the first-in, first-out method of inventory accounting. Inventory consists of raw materials for producing impression kits and aligners and finished goods. Inventory is net of shrinkage and obsolescence.

Property, Plant and Equipment, net

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Routine maintenance and repairs are charged to expense as incurred. At the time property, plant and equipment are retired from service, the cost and accumulated depreciation or amortization are removed from the respective accounts and the related gains or losses are reflected in the consolidated statements of operations.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies (Continued)

Leases

Assets under capital leases are amortized in accordance with the Company's normal depreciation policy for owned assets or over the lease term, if shorter, and the related charge to operations is included in depreciation expense in the consolidated statements of operations.

The Company leases office spaces and equipment under operating leases with original lease periods of up to 10 years. Certain of these leases have free or escalating rent payment provisions and lease incentives provided by the landlord. Rent expense is recognized under such leases on a straight-line basis over the term of the lease. The Company occasionally receives reimbursements from landlords to be used towards improving the related store to be leased. Leasehold improvements are recorded at their gross costs, including items reimbursed by landlords. Related reimbursements are deferred and amortized on a straight-line basis as a reduction of rent expense over the applicable lease term.

Internally Developed Software Costs

The Company generally provides services to its customers using software developed for internal use. The costs that are incurred to develop such software are expensed as incurred during the preliminary project stage. Once certain criteria have been met, direct costs incurred in developing or obtaining computer software are capitalized. Training and maintenance costs are expensed as incurred. Capitalized software costs are included in property, plant and equipment in the consolidated balance sheets and are amortized over a three-year period. During the years ended December 31, 2018 and 2017, the Company capitalized $5,200 and $300, respectively, of internally developed software costs. Amortization expense for internally developed software was $667 and $0 for the years ended December 31, 2018 and 2017, respectively.

Impairment

The Company evaluates long-lived assets (including finite-lived intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. An asset or asset group is considered impaired if its carrying amount exceeds the future undiscounted net cash flows that the asset or asset group is expected to generate. Factors the Company considers important which could trigger an impairment review include significant negative industry or economic trends, significant loss of customers and changes in the competitive environment. If an asset or asset group is considered to be impaired, the impairment to be recognized is calculated as the amount by which the carrying amount of the asset or asset group exceeds its fair market value. The Company's estimates of future cash flows attributable to long-lived assets require significant judgment based on its historical and anticipated results and are subject to many assumptions. The estimation of fair value utilizing a discounted cash flow approach includes numerous uncertainties which require significant judgment when making assumptions of expected growth rates and the selection of discount rates, as well as assumptions regarding general economic and business conditions, and the structure that would yield the highest economic value, among other factors.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies (Continued)

Debt Issuance Costs

The Company records debt issuance costs related to its term debt as direct deductions from the carrying amount of the debt. The costs are amortized to interest expense over the life of the debt using the effective interest method.

Redeemable Series A Preferred Units

SDC Financial classified its Redeemable Series A Preferred Units ("Series A Units") as temporary equity on the consolidated balance sheet due to certain deemed liquidation events that are outside of its control. The Company evaluated the Series A Units upon issuance in order to determine classification as to permanent or temporary equity and whether or not the instrument contains an embedded derivative that requires bifurcation. This analysis followed the whole instrument approach which compares an individual feature against the entire instrument that includes that feature. This analysis was based on a consideration of the economic characteristics and risk of the Series A Units including: (i) redemption rights on the Series A Units allowing the Series A Unitholders the ability to redeem the Series A Units six years from the anniversary of the Series A Units original issuance, provided that a qualified public offering has not been consummated prior to such date; (ii) conversion rights that allow the Series A Unitholders the ability to convert into common member units at any time; (iii) the Series A Unitholders may vote based on the combined membership percentage interest; and (iv) distributions of the preferred return on the Series A Units are subject to the same conditions as non-Series A Unit distributions which require all distributions to be approved by SDC Financial's board of directors.

The Company has elected the accreted redemption value method in which it will accrete changes in the redemption value, as defined in Note 9, over the period from the date of issuance of the Series A Units to the earliest redemption date (six years from the date of issuance) using the effective interest method.

Note 2—Recent Accounting Pronouncements

New Accounting Pronouncements Recently Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "*Revenue from Contracts with Customers (Topic 606)*." ASU 2014-09 amends the guidance for revenue recognition to replace numerous, industry-specific requirements and converges areas under this topic with those of the International Financial Reporting Standards. The ASU implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The Company adopted the guidance as of January 1, 2017 by applying the full retrospective method. The Company elected to take the practical expedient to exclude from the transaction price all taxes assessed by a governmental authority. The adoption of ASU 2014-09 did not have a material impact on the Company's consolidated statements of operations or consolidated statements of cash flows.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 2—Recent Accounting Pronouncements (Continued)

New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842).*" This update requires a dual approach for lessee accounting under which a lessee will account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability on its balance sheet, with differing methodology for income statement recognition. In July 2018, ASU 2018-10, "*Codification Improvements to Topic 842, Leases*," was issued to provide more detailed guidance and additional clarification for implementing ASU 2016-02. Furthermore, in July 2018, the FASB issued ASU 2018-11, "*Leases (Topic 842): Targeted Improvements*," which provides an optional transition method in addition to the existing modified retrospective transition method by allowing a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. These new leasing standards are effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is evaluating the effect of the adoption of this guidance on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, "*Financial Instruments—Credit Losses" (Topic 326).*" The FASB issued this update to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments in this update replace the existing guidance of incurred loss impairment methodology with an approach that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2018, the FASB issued ASU 2018-19, "*Codification Improvements to Topic 326, Financial Instruments—Credit Losses*," which clarifies the scope of guidance in the ASU 2016-13. The updated guidance is effective for annual periods beginning after December 15, 2020. Early adoption of the update is permitted in fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

In August 2017, the FASB issued ASU 2017-12, "*Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities,*" which amends and simplifies existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. This update expands and refines hedge accounting for both nonfinancial and financial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. Additionally, the amendments in ASU 2017-12 provide new guidance about income statement classification and eliminates the requirement to separately measure and report hedge ineffectiveness. This guidance is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The amendments in ASU 2017-12 require that an entity with cash flow or net investment hedges existing at the date of adoption apply a cumulative-effect adjustment to eliminate the separate measurement of ineffectiveness to the opening balance of retained earnings as of the beginning of the fiscal year in which the entity adopts this guidance. The amended presentation and disclosure guidance should be adopted prospectively. The Company is currently assessing the impact that adoption of this guidance will have on its consolidated financial statements and related disclosures.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 2—Recent Accounting Pronouncements (Continued)

In June 2018, the FASB issued ASU 2018-07, "*Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting,"* which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees. This guidance is effective for years beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, "*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*," which amends the disclosure requirements for fair value measurements by removing, modifying and adding certain disclosures. This guidance is effective for years beginning after December 15, 2020, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-15, "*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*." This update clarifies the accounting treatment for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. This guidance is effective for years beginning after December 15, 2020, with early adoption permitted. The amendments may be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is currently assessing the impact that adoption of this guidance will have on its consolidated financial statements and related disclosures.

Note 3—Inventories

Inventories are comprised of the following at December 31:

	2018	2017
Raw materials	$ 3,486	$ 1,957
Finished goods	5,295	766
Total inventories	8,781	2,723

Note 4—Prepaid and other current assets

Prepaid and other current assets are comprised of the following at December 31:

	2018	2017
Prepaid expenses	$ 2,642	$ 1,716
Deposits to vendors	2,822	578
Other	318	84
Total prepaid and other current assets	$ 5,782	$ 2,378

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 5—Property, plant and equipment, net

Property, plant and equipment are comprised of the following at December 31:

	2018	2017
Lab and SmileShop equipment	$ 30,627	$ 6,584
Computer equipment and software	14,748	3,241
Leasehold improvements	7,208	2,703
Furniture and fixtures	5,174	1,579
Vehicles	721	—
Construction in progress	6,031	939
	64,509	15,046
Less: accumulated depreciation	(11,958)	(3,153)
Property, plant and equipment, net	$ 52,551	$ 11,893

The carrying values of assets under capital leases were $6,285 and $0 as of and December 31, 2018, and December 31, 2017, respectively, net of accumulated depreciation of $582 and $0, respectively.

Note 6—Accrued liabilities

Accrued liabilities are comprised of the following at December 31:

	2018	2017
Accrued marketing costs	$ 11,760	$ 3,801
Accrued payroll and payroll related expenses	10,469	3,965
Other	12,710	6,178
Total accrued liabilities	$ 34,939	$ 13,944

Note 7—Income taxes

SDC Financial and its subsidiaries are limited liability companies and have elected to be taxed as partnerships for federal income tax purposes with the exception of a subsidiary, SDC Holding, LLC, that is treated like a corporation. While most states do not impose an entity level tax on partnership income, SDC Financial is subject to entity level tax in both Tennessee and Texas. The Company also has operations in Costa Rica, Puerto Rico and Canada with tax filings in each foreign jurisdiction. Accordingly, the Company files income tax returns in the U.S. federal, various state and foreign jurisdictions. The Company's U.S. federal and state income tax returns for the tax years 2015 and beyond remain subject to examination by the IRS. With respect to state and local jurisdictions, SDC Financial and its subsidiaries are typically subject to examination for several years after the income tax returns have been filed.

The Company's operations in Costa Rica are subject to agreements allowing for a 0% income tax rate for eight years ending in 2025.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 7—Income taxes (Continued)

The Company recognizes interest and penalties related to income tax matters in income tax expense, and such amounts were not significant to the consolidated statements of operations. The income tax provision for the years ended December 31, 2018 and 2017, respectively, was as follows:

	2018	2017
Current:		
Federal	$ 101	$ 43
State	204	85
Foreign	—	—
Current income tax provision	305	128
Deferred:		
Federal	—	—
State	56	—
Foreign	—	—
Deferred income tax provision	56	—
Total income tax provision	$ 361	$ 128

Significant components of the Company's deferred tax assets (liabilities) as of December 31, 2018 and 2017 were as follows:

	2018	2017
Depreciation and amortization	$ (984)	$ (26)
Deferred revenue	697	413
Accruals and reserves	508	468
Net operating loss carryforwards	2,259	602
Deferred warrant expense	191	—
Other	(5)	(7)
Gross deferred tax assets and (liabilities)	2,666	1,450
Valuation allowance	(2,722)	(1,450)
Net deferred tax assets and (liabilities)	$ (56)	$ —

At December 31, 2018 the Company had net operating loss carryforwards (tax effected) for income tax purposes of approximately $2,259, which expire from 2029 through 2033.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 8—Long-Term Debt

The Company's debt and capital lease obligations are comprised of the following at December 31:

	2018	2017
TCW financing agreement, net of unamortized discount and financing costs of $19,719	$ 100,781	$ —
Warrant repurchase obligation	31,900	—
Capital lease obligations (Note 14)	6,308	—
Total debt	138,989	—
Less current portion	(1,866)	—
Total long-term debt	$ 137,123	$ —

Annual maturities of long-term debt, excluding capital lease obligations and debt discounts, are as follows:

	TCW Credit Facility	Warrant Repurchase	Total
2019	$ —	$ —	$ —
2020	—	—	—
2021	—	—	—
2022	—	—	—
2023	120,500	31,900	152,400
Total	$ 120,500	$ 31,900	$ 152,400

TCW financing agreement

In February 2018 the Company entered into a financing agreement with TCW Direct Lending ("TCW Credit Facility") to provide a debt facility to the Company. The TCW Credit Facility provides for an initial term loan of $55,000 ("Initial Term Loan") and the potential to draw up to an additional $70,000 ("Delayed Draw Facility"). The Initial Term Loan and the Delayed Draw Facility mature February 2023. At the Company's election, the Initial Term Loan and the Delayed Draw Facility will bear interest at an annual rate of LIBOR or reference rate, as defined in the agreement, plus an applicable margin that is based on the Company's leverage (8% margin for the year ending December 31, 2018). The TCW Credit Facility also includes make-whole provisions in case of termination of the facility.

The purpose of the TCW Credit Facility was to repay outstanding amounts under the Align Loan (see Note 13), for working capital and other corporate purposes.

The TCW Credit Facility is secured by a first mortgage and lien on the real property and related personal and intellectual property of the Company.

The Company recorded $3,514 and $3,125 of deferred financing costs and issuance discounts, respectively, related to the TCW Credit Facility. During the year ended December 31, 2018, the Company amortized under the effective interest rate method $4,319 of deferred financing and debt issuance costs which is included in interest expense on the consolidated statements of operations.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 8—Long-Term Debt (Continued)

In December 2018, the Company entered into an amendment to the TCW Credit Facility ("Amended Credit Facility") which added and amended certain terms of the Initial Term Loan, including the quarterly revenue and profit targets, and issued the warrant repurchase obligation (described further below).

In addition, the Amended Credit Facility contains certain covenants which, among other things, limit the incurrence of additional indebtedness, investments, dividends, transactions with affiliates, asset sales, acquisitions, mergers and consolidations, liens and encumbrances and other matters customarily restricted in such agreements. The Company is limited on dividends or distributions on equity interest for any subsidiary or pay any subordinated indebtedness owed to the Company or any of its subsidiaries. The Company is also limited on investments in subsidiaries to $10,000 ($5,000 in foreign subsidiaries), and the subsidiaries of the Company are limited to pay SDC Financial expenses in the amount of $500 per annum. The material financial covenants, ratios or tests contained in the TCW Credit Facility are as follows:

- The Company must obtain certain quarterly consolidated revenue and profit targets in certain periods, as defined in the agreement.
- The Company must maintain a delinquency rate on its receivables not to exceed 22.5%.
- The Company must maintain a minimum liquidity, as defined in the agreement, of at least $5,000.

If an event of default shall occur and be continuing under the TCW Credit Facility, the commitments under the TCW Credit Facility may be terminated and the principal amount outstanding under the TCW Credit Facility, together with all accrued unpaid interest and other amounts (including any make-whole provisions) owing in respect thereof, may be declared immediately due and payable.

As of December 31, 2018, the Company had $55,000 and $65,500 outstanding under the Initial Term Loan and the Delayed Draw Facility, respectively, and was in compliance with all covenants in the Amended Credit Facility.

Warrant and Warrant Repurchase Obligation

In February 2018, SDC Financial issued, concurrently with the TCW Credit Facility, warrants to the lenders thereunder (collectively, the "Warrants"). The Warrants were split into two series: Class W-1 and Class W-2 Warrants. The Class W-1 and Class W-2 Warrants were convertible in to 1,121 and 2,243 W-1 and W-2 membership units, respectively, with each having a conversion price of $297.26 per unit.

Prior to the Company entering the Amended Credit Facility, the Warrants included put and call options; whereby, the Company could either purchase up to 75% of the outstanding Warrants, or the Warrant holders could require the Company to purchase up to 100% of the Warrants. The Company had initially accounted for the Warrants as a derivative which was initially recorded at fair value of $17,400 and adjusted subsequently resulting in additional expense of $14,500 which is included in other expense in the consolidated statement of operations.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 8—Long-Term Debt (Continued)

The Amended Credit Facility cancelled the put and call features of the Warrants, eliminated the convertibility of the Warrants into member equity units, and the Company agreed it would repurchase the Warrants for a fixed amount, subject to interest ("Warrant Repurchase Obligation"). The price at which the Company will repurchase the Warrant Repurchase Obligation is $31,900 and if the payment occurs after March 31, 2019, interest is accrued under the Initial Term Loan, and such interest shall be added to the principal amount of the Initial Term Loan. If the Warrant Repurchase Obligation is not repaid prior to November 15, 2019, the entire repurchase price and any interest earned shall be added to the principal amount of the Initial Term Loan which matures in 2023. The Warrant Repurchase Obligation is classified as long-term debt on the consolidated balance sheet as of December 31, 2018.

Note 9—Redeemable Series A Preferred Units

In October 2018, SDC Financial issued 14,784 Redeemable Series A Preferred Units ("Series A Units") for net proceeds of $388,634, after deduction of $11,578 in issuance costs. The redemption value for each Series A Units is equal to the greater of (i) the original unit price less any distributions for such Series A Unit and (ii) the fair value for such Series A Unit. The Series A Unitholders may redeem the Series A Units six years after the issuance date; provided, that a liquidation event has not been consummated prior to such date. The Series A Units are convertible to common membership units at any time based upon the election of the Series A Unitholders or on a qualified public offering based on a conversion price of $27,071 per unit. Each Series A Unitholder shall vote in accordance with such member's percentage interest. Additionally, the Series A Unitholders receive priority on preferred returns and return of capital on any member distributions.

The Series A Units accrue a preferred return at the rate of 12.5% per annum, which amount shall be cumulative and compound annually. As of December 31, 2018, the accrued preferred returns were $13,676. The distributions of the preferred return on the Series A Units are subject to the same conditions as non-Series A Unit distributions which require all distributions to be approved by SDC Financial's board of directors. For the year ended December 31, 2018, SDC Financial had not declared nor paid any preferred returns on the Series A Units. Additionally, there are certain actions that require a majority consent by the Series A Unitholders, and the Series A Unitholders have the right to select a member of the Company's board of directors.

The Company classified the Series A Units containing the redemption features described above as temporary equity in the consolidated balance sheets as redemption is outside the control of the Company. The Series A Units are recorded at the redemption value and the Company accounts for the changes in the redemption value using the accretion method which is recorded through members' equity. There was no change in the redemption value of the Series A Units in 2018.

At the Company's discretion, the Company may distribute approximately $200,000 of the proceeds from the issuance of the Series A Units to non-Series A Unitholders. No such distribution was made during the year ended December 31, 2018.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 10—Members' Equity

The SDC Financial operating agreement, as amended and restated, provides for classes of units, allocation of profits and losses, distribution preferences, and other member rights. The operating agreement allows for common units, Class A, Class B, Class C, Class D, and Series A units. Each unitholder generally votes separately as a class. Proposals require a majority vote for approval, and proposals for dissolution, liquidation or termination also require a majority vote of the preferred units voting as a class and a majority of the common units voting as a class. Members are limited in their liability to their capital contributions. Refer Note 9 for Series A Unitholder rights.

The Class A and Class B incentive units have various vesting provisions and have been determined to be equity instruments. At December 31, 2018, 45,193 of the 49,084 incentive units were vested and at December 31, 2017, 36,001 of the 49,247 incentive units were vested. At December 31, 2018, 40,911 of these vested units were held by current or former employees of the Company and 4,282 vested units were held by non-employees who provide services to the Company. At December 31, 2017, 32,773 of these vested units were held by current or former employees of the Company and 3,228 vested units were held by non-employees who provide services to the Company.

A return of capital to certain non-incentive unitholders or a minimum distribution threshold is required before distributions are made to Class A and B unitholders. The Class A incentive unitholders have also agreed to a portion of their distributions to be allocated to certain non-incentive unitholders. SDC Financial has the option, but not the obligation, to repurchase the incentive units at fair value. The distribution threshold is the amount established with respect to each Class A and B incentive unit upon the issuance of such incentive unit that equals the minimum amount determined by the SDC Financial's board of directors in its reasonable discretion to be necessary to cause such incentive units to constitute a profits interest and which may be adjusted to take into account additional contributions to SDC Financial.

Class C unitholders have the right to select a member of the Company's board of directors. Class D unitholders have substantially the same rights as the common unitholders.

In June 2017, the Company redeemed 2,153 Class B incentive units for $12,396. The Company paid $1,602 of the redemption price in June 2017 and the balance is being paid in 36 equal monthly installments as described in Note 8 above. In addition, the Company advanced a distribution of $1,398 to the seller to be repaid out of any future proceeds of the remaining units owned by the seller. This advance bears interest at 1.15% and is reflected as a reduction of members' equity.

In January 2018, the Company redeemed 271 Class B incentive units for $1,546 which is payable over 24 months as described in Note 8.

SDC Financial's operating agreement, as amended and restated, provides that any distributions, other than tax distributions and the $200,000 discussed in Note 9, will be made according to the following priority on a cumulative basis:

- First, to the Series A Unitholders in proportion to the aggregate unpaid preferred return unpaid immediately prior to such distribution;
- Second, to the Series A Unitholders in proportion to the respective number of Series A Units until the return of the purchase price of the Series A Units;

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 10—Members' Equity (Continued)

- Third, subject to the distribution thresholds (if any), to the holders of non Series A Unitholders pro rata until each non Series A Unitholder has been distributed an amount equal to the prorata amount of distributions to the Series A Unitholders above.

- Fourth, to the Series A and non Series A Unitholders in proportion to their Percentage Interests, subject to certain member specific adjustments related to the Class A and B units, as defined in the Operating Agreement:

Notwithstanding the foregoing, no distribution can be made with respect to any Class A or B unit that is subject to a distribution threshold, until such time as the cumulative distributions to the other Series A and non Series A Unitholders reach that distribution threshold.

In the event of a change in form of SDC Financial to become a corporation, each Series A and non Series A Unitholder will receive equity interests in the successor corporation having a value equal to the amount the unitholder would be entitled to in the event of a liquidation. The rate of conversion is determined based on the valuation at the time of the conversion event, distributions thresholds, cumulative distributions to date and the number of each class of equity units outstanding at that time.

SDC Financial had the following member units as of December 31:

	2018	2017
Common units	38,489	38,489
Class A incentive units	46,174	46,174
Class B incentive units	2,910	3,073
Class C non-incentive units	20,710	20,710
Class D non-incentive units	595	595
Total units	108,878	109,041

The profits or losses of the Company for each fiscal year are allocated among the unitholders so as to ensure that the capital account of the unitholder is equal to the aggregate distributions that such unitholder would be entitled to receive if all of the assets of the Company were sold for their fair value.

In addition to the TCW Warrants described in Note 8, SDC Financial has warrants outstanding for 369 units at December 31, 2018 and 2017. The exercise price of the warrants is $2,519 per unit and expire during 2026.

Note 11—Equity-Based Compensation

Incentive units may be granted to current or prospective officers or employees or non-employees. For employee incentive units, the fair value of the incentive units are based on SDC Financial's unit value on the date of grant. For non-employee incentive units, the fair value is determined at the time of vesting. A

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 11—Equity-Based Compensation (Continued)

summary of equity-based compensation expense recognized during the years ended December 31 is as follows:

	2018	2017
Incentive units to employees	$ 1,807	$ 1,588
Incentive units to non-employees	18,032	5,272
Total	$ 19,839	$ 6,860

Amounts are included in general and administrative expense on the consolidated statements of operations.

A summary of the activity for incentive units to employees for the year ended December 31, 2018, is as follows:

	Number of Units	Weighted Average Grant Date Fair Value	Weighted Average Remaining Term (in years)	Aggregate Intrinsic Value
Non-vested incentive units at December 31, 2017				
Class A incentive units	9,844	$ 108		
Class B incentive units	2,038	1,512		
Granted				
Class B incentive units	108	4,923		
Vested				
Class A incentive units	(7,874)	108		
Class B incentive units	(517)	1,599		
Non-vested incentive units at December 31, 2018	3,599	$ 833	1.4	$ 72,064

The aggregate intrinsic value in the table above represents the total intrinsic value (calculated by multiplying the current unit value on December 31, 2018 by the number of non-vested incentive units) that would have been received by the unitholders had all the incentive units been vested and released as of the last day of 2018. This amount will fluctuate based on the fair market value of the Company's units.

The total fair value of incentive units to employees vested during the years ended December 31, 2018 and 2017 was $132,272 and $40,563, respectively. The weighted average grant date fair value of incentive units granted to employees during 2018 and 2017 was $4,923 and $1,541, respectively. As of December 31, 2018, there was $3,036 of total unamortized compensation costs related to incentive units.

As of December 31, 2018 and 2017, SDC Financial had outstanding non-vested incentive units to non-employees of 292 and 1,364, respectively.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 12—Employee Benefit Plans

The Company has agreements with several key employees to provide a bonus payment in the event of a liquidation event as defined in each agreement. The bonus amounts are calculated based on the value of the Company at the time of the liquidation event less an amount determined upon the employee entering into the agreement. The right to the payment generally vests annually over a five-year period, with certain liquidation events resulting in an acceleration of the vesting period. No amounts were required to be recorded for these agreements as of December 31, 2018 and 2017.

The Company sponsors a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code that covers substantially all U.S. employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. For the years ended December 31, 2018 and 2017, the Company matched 100% of employees' salary deferral contributions up to 3% and 50% of employees' salary deferral contributions from 3% to 5% of employees' eligible compensation. The Company contributed $1,133 and $229 to the 401(k) plan for the years ended December 31, 2018 and 2017, respectively.

Note 13—Related Party Transactions

Align loan and security agreement

In July 2017, the Company amended its Loan and Security Agreement ("Align Loan") with Align Technology, Inc. ("Align"), a member of SDC Financial to increase the line of credit. The Align Loan provided a line of credit for the Company to borrow up to 80% of eligible receivables up to a maximum amount of $30,000 at an interest rate of 7%. Eligible receivables generally exclude past due receivables and were net of applicable reserves. The Company pledged substantially all its assets as security for the Align Loan. The Align Loan was repaid in February 2018.

Promissory Notes to Majority Member and Related Parties

These notes consist of three promissory notes payable to two unitholders, one of whom is a majority member, and a related party of a unitholder. These notes were subordinated to the Align Loan Agreement and the TCW Credit Facility, bear interest at 10%, and are payable with interest annually. These loans mature in 2019. As of December 31, 2018 and 2017, the balances of these notes were $11,685 and $11,672, respectively. Interest expense of $1,173 and $1,106 was incurred for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, the Company had promissory notes of $6,168 and $8,995, respectively, outstanding to former employees related to repurchases of membership units which have interest and principal payments due in monthly installments over 24 to 36 months. The promissory notes bear interest of 1.7% to 3.0%. Interest on these promissory notes payable was $238 and $151 for the years ended December 31, 2018 and 2017, respectively.

Products and Services

The Company is affiliated through common ownership with several other entities ("Affiliates"). The Affiliates incur costs related to the Company, including travel costs, certain senior management personnel

Note 13—Related Party Transactions (Continued)

costs, freight, and rent, the most significant of which is freight. The Company reimbursed $8,250 and $4,475 of freight incurred through an Affiliate during the years ended December 31, 2018 and 2017, respectively, which is included in cost of revenues—related parties. These costs incurred by Affiliates related to the Company are billed at actual cost to the Company by the Affiliates.

In addition, the Company paid one of the Affiliates $1,200 and $540 in management fees for the years ended December 31, 2018 and 2017, respectively, included in general and administrative expenses. These fees include charges relating to several individuals who provide senior leadership to the Company as well as certain other services. Certain of these individuals have been granted incentive units, which have resulted in equity-based compensation expense (see Note 11).

The Company is party to a Strategic Supply Agreement with Align, a unitholder of the Company, in which the Company had the option to purchase aligners from Align at a price that varies with the level of product purchased. While the majority of the Company's aligners were manufactured in-house, the Company did purchase aligners under this agreement. Additionally, the Company purchases oral digital imaging equipment from Align. For the years ended December 31, 2018 and 2017, purchases from Align of equipment were $15,135 and $3,437, respectively, and purchases of aligners included in cost of revenues—related parties were $27,670 and $24,171, respectively.

At December 31, 2018 and 2017, amounts due to related parties for goods and services were $20,305 and $14,721, respectively. These amounts are included within due to related parties on the consolidated balance sheets.

Note 14—Commitments and Contingencies

Lease Commitments

The Company has various operating leases, primarily for leased facilities. Total rental expense for these operating leases amounted to $13,566 and $3,290 for the years ended December 31, 2018 and 2017, respectively. The Company recognizes rent expense on a straight-line basis over the life of the lease, adjusted for lessor incentives received, which commences on the date that the Company has the right to control the property.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 14—Commitments and Contingencies (Continued)

At December 31, 2018, future minimum payments for capital and operating leases consist of the following:

	Capital Leases	Operating Leases
2019	$ 2,378	$ 8,017
2020	2,378	3,963
2021	2,547	3,587
2022	—	1,692
2023 and thereafter	—	1,722
Total minimum lease payments	7,303	$ 18,981
Amount representing interest	994	
Present value of minimum lease payments	6,309	
Less: current portion	(1,866)	
	$ 4,443	

Legal Matters

The Company is involved, from time to time, in various contractual, product liability, intellectual property and other claims and disputes incidental to its business. While litigation is subject to uncertainties and the outcome of litigated matters is not predictable with assurance, the Company currently believes that the disposition of all pending or, to the knowledge of the Company, threatened claims and disputes, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

In March 2019, a final arbitration award was issued in an arbitration proceeding brought by the Company alleging that one of its Members, Align, had violated certain restrictive covenants set forth in the Company's' Operating Agreement. The arbitrator ruled that Align had breached both the non-competition and confidentiality provisions of the Operating Agreement and that, as a result, Align was required to close its Invisalign Stores, return all of the Company's Confidential Information and to sell its membership units to the non-Series A unitholders of SDC Financial for an amount equal to the balance in Align's capital account as of November 2018. Per the terms of the ruling, this repurchase was effectuated in April 2019 by the remaining non-Series A unitholders. In addition to the above, the arbitrator extended the Align non-competition period through August of 2022.

Other

The Company periodically receives communications from state and federal regulatory and similar agencies inquiring about the nature of the Company's business activities, licensing of professionals providing services, and similar matters. Such matters are routinely concluded with no financial or operational impact on the Company. While the outcome of any individual matter is not predictable with assurance, there are currently no actions with any agency that would reasonably be expected to have a material adverse effect on the Company's operations, financial condition, results, or liquidity.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2018 and 2017

(in thousands, except units and per unit amounts)

Note 15—Segment Reporting

The Company provides aligner products primarily through its retail locations and internet site. The Company's chief operating decision maker views its operations and manages the business on a consolidated basis and, therefore the Company has one operating segment, aligner products, for segment reporting purposes in accordance with ASC 280-10, "*Segment Reporting*." For the years ended December 31, 2018 and 2017, all of the Company's revenues were generated by sales within the United States and substantially all of its net property, plant and equipment was within the United States.

Note 16—Supplemental Cash Flow Information

The supplemental cash flow information comprised of the following for the years ended December 31:

	2018	2017
Interest paid	$ 8,392	$ 1,023
Purchases of equipment included in accounts payable	$ 1,457	$ —
Property acquired under capital leases	$ 6,867	$ —
Promissory note issued in exchange for member unit redemptions	$ 1,546	$ 10,793

SDC FINANCIAL, LLC AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)

June 30, 2019 and December 31, 2018

(in thousands)

	June 30, 2019	December 31, 2018
Cash	$ 149,088	$ 313,929
Accounts receivable	181,806	113,934
Inventories	13,749	8,781
Prepaid and other current assets	11,554	5,782
Total current assets	356,197	442,426
Accounts receivable, non-current	93,283	60,217
Property, plant and equipment, net	86,770	52,551
Other assets	6,269	—
Total assets	**$ 542,519**	**$ 555,194**
Accounts payable	$ 49,805	$ 25,250
Accrued liabilities	63,728	34,939
Due to related parties	3,443	20,305
Deferred revenue	20,788	19,059
Current portion of related party debt	3,984	16,054
Current portion of long-term debt	29,504	1,866
Total current liabilities	171,252	117,473
Long term debt, net of current portion	171,478	137,123
Long-term related party debt	—	1,799
Other long term liabilities	606	602
Total liabilities	343,336	256,997
Commitment and contingencies		
Redeemable Series A Preferred Units	425,188	388,634
Member deficit	(226,320)	(90,752)
Warrants	315	315
Total members' deficit	(226,005)	(90,437)
Total liabilities, Redeemable Series A Preferred Units and members' deficit	**$ 542,519**	**$ 555,194**

The accompanying notes are an integral part of these Interim Unaudited Condensed Consolidated Financial Statements.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Condensed Consolidated Statements of Operations (Unaudited)

For the Six Months Ended June 30, 2019 and 2018

(in thousands, except per unit data)

	Six months ended June 30,	
	2019	2018
Revenue, net	$ 353,867	$ 165,516
Financing revenue	19,663	9,548
Total revenues	373,530	175,064
Cost of revenues	72,238	41,867
Cost of revenues—related parties	11,342	18,510
Total cost of revenues	83,580	60,377
Gross profit	289,950	114,687
Marketing and selling expenses	209,146	86,457
General and administrative expenses	96,490	47,301
Loss from operations	(15,686)	(19,071)
Interest expense	7,316	4,931
Interest expense—related parties	75	953
Loss on extinguishment of debt	29,640	—
Other expense	81	8,642
Net loss before provision for income tax expense	(52,798)	(33,597)
Provision for income tax expense	117	209
Net loss	$ (52,915)	$ (33,806)

The accompanying notes are an integral part of these Interim Unaudited Condensed Consolidated Financial Statements.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Condensed Consolidated Statements of Members' Deficit (Unaudited)

For the Six Months Ended June 30, 2019

(in thousands, except unit data)

	Members' Deficit		Warrants		
	Units	Amount	Units	Amount	Total
Balances at December 31, 2017	**109,041**	**$ (34,169)**	**369**	**$ 315**	**$ (33,854)**
Redemption of member units	(271)	(1,544)	—	—	(1,544)
Unitholder distribution	—	(21)	—	—	(21)
Grant of incentive member units	108	—	—	—	—
Distributions paid and payable	—	(86)	—	—	(86)
Equity based compensation	—	7,872	—	—	7,872
Net loss	—	(33,806)	—	—	(33,806)
Balances at June 30, 2018	**108,878**	**$ (61,754)**	**369**	**$ 315**	**$ (61,439)**
Balances at December 31, 2018	**108,878**	**$ (90,752)**	**369**	**$ 315**	**$ (90,437)**
Series A redemption accretion	—	(36,761)	—	—	(36,761)
Redemption of member units	(20,710)	(54,154)	—	—	(54,154)
Equity-based compensation	—	8,262	—	—	8,262
Net loss	—	(52,915)	—	—	(52,915)
Balances at June 30, 2019	**88,168**	**$ (226,320)**	**369**	**$ 315**	**$ (226,005)**

The accompanying notes are an integral part of these Interim Unaudited Condensed Consolidated Financial Statements.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

For the Six Months Ended June 30, 2019 and 2018

(in thousands)

	Six months ended June 30,	
	2019	2018
Operating Activities		
Net loss	$ (52,915)	$ (33,806)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	9,723	2,735
Deferred loan cost amortization	475	284
Accrued interest to related parties	—	601
Fair value adjustment of warrant derivative	—	8,624
Equity-based compensation	8,262	7,872
Loss on extinguishment of debt	17,693	—
Other non-cash operating activities	1,783	1,604
Changes in operating assets and liabilities:		
Accounts receivable	(100,937)	(60,748)
Inventories	(4,968)	(2,573)
Prepaid and other current assets	(5,772)	(1,809)
Accounts payable	15,436	7,782
Accrued liabilities	28,461	9,965
Due to related parties	(16,862)	(59)
Deferred revenue	1,729	12,033
Net cash used in operating activities	(97,892)	(47,495)
Investing Activities		
Purchases of property and equipment—related party	—	(1,295)
Purchases of property and equipment	(31,879)	(4,647)
Purchases of intangible assets	(6,269)	—
Net cash used in investing activities	(38,148)	(5,942)
Financing Activities		
Borrowings on long-term debt	151,300	95,875
Payments of issuance costs	(6,127)	(3,142)
Principal payments on long-term debt	(152,400)	—
Principal payments on related party debt	(20,598)	(33,284)
Payments on other long-term liabilities	(976)	—
Net cash (used in) provided by financing activities	(28,801)	59,449
(Decrease) increase in cash	(164,841)	6,012
Cash at beginning of period	313,929	4,071
Cash at end of period	$ 149,088	$ 10,083

The accompanying notes are an integral part of these Interim Unaudited Condensed Consolidated Financial Statements.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies

Business Description

SDC Financial, LLC ("SDC Financial") is a Tennessee limited liability company and wholly owns SmileDirectClub, LLC (a Tennessee limited liability company) and Access Dental Lab, LLC (a Tennessee limited liability company), collectively herein referred to as (the "Company", "we", "our"). The Company's direct-to-consumer model provides customers with a customized clear aligner therapy treatment delivered through its teledentistry platform. The Company integrates the marketing, aligner manufacturing, and fulfillment, and provides a proprietary web-based teledenstistry platform for the monitoring of treatment by licensed dentists and orthodontists through the completion of a member's treatment. The Company is headquartered in Nashville, Tennessee and has locations throughout the U.S, Puerto Rico, Canada, Australia, United Kingdom and Costa Rica.

Basis of Presentation and Consolidation

The interim condensed consolidated financial statements include the accounts of SDC Financial and its wholly-owned subsidiaries, as well as accounts of contractually affiliated professional corporations ("PC's") managed by the Company.

The interim condensed consolidated financial statements include the accounts of variable interest entities in which the Company is the primary beneficiary under the provisions of Accounting Standards Codification ("ASC") Topic 810, *Consolidation*. At June 30, 2019, the variable interest entities include 38 dentist owned PC's and at December 31, 2018 the variable interest entities included 31 dentist owned PC's. The Company is a dental service organization and does not engage in the practice of dentistry. All clinical services are provided by dentists and orthodontists who are employed as independent contractors or otherwise engaged by the dentist-owned PC's. The Company contracts with the PC's and dentists and orthodontists through a suite of agreements, including but not limited to, management services agreements, supply agreements, and licensing agreements, pursuant to which the Company provides the administrative, non-clinical management services to the PC's and independent contractors. The Company has the contractual right to manage the activities that most significantly impact the variable interest entities' economic performance through these agreements without engaging in the corporate practice of dentistry. Additionally, the Company would absorb substantially all of the expected losses of these entities should they occur. The accompanying consolidated statements of operations reflect the revenue earned and the expenses incurred by the PC's.

All significant intercompany balances and transactions are eliminated in consolidation.

Management Use of Estimates

The preparation of the interim condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that impact the reported amounts. On an ongoing basis, the Company evaluates its estimates, including those related to the fair values of financial instruments, useful lives of property, plant and equipment, revenue recognition, equity-based compensation, long-lived assets, and contingent liabilities, among others. Each of these estimates varies in regard to the level of judgment involved and its potential impact on the Company's financial results. Estimates are considered critical

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies (Continued)

either when a different estimate could have reasonably been used, or where changes in the estimate are reasonably likely to occur from period to period, and such use or change would materially impact the Company's financial condition, results of operations, or cash flows. Actual results could differ from those estimates.

Revenue Recognition

The Company's revenues are derived primarily from sales of aligners, impression kits, whitening gel, and retainers. Revenue is recorded for all customers based on the amount that is expected to be collected, which considers implicit price concessions, discounts and returns. The Company adopted ASC 606, "*Revenue from Contracts with Customers"* which outlines a single comprehensive model for recognizing revenue as performance obligations are transferred to the customer in exchange for consideration. This standard also requires expanded disclosures regarding the Company's revenue recognition policies and significant judgments employed in the determination of revenue. The Company adopted this standard effective January 1, 2017.

The Company identifies a performance obligation as distinct if both of the following criteria are met: the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer and the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. Determining the standalone selling price ("SSP") and allocation of consideration from a contract to the individual performance obligations, and the appropriate timing of revenue recognition, is the result of significant qualitative and quantitative judgments. Management considers a variety of factors such as historical sales, usage rates (the number of times a customer is expected to order additional aligners), costs, and expected margin, which may vary over time depending upon the unique facts and circumstances related to each performance obligation, in making these estimates. Further, the Company's process for estimating usage rates requires significant judgment and evaluation of inputs, including historical data and forecasted usages. Changes in the allocation of the SSP between performance obligations will not affect the amount of total revenues recognized for a particular contract. The Company uses the expected cost plus a margin approach to determine the SSP for performance obligations, and discounts are allocated to each performance obligation based on the relative standalone selling price. However, any material changes in the allocation of the SSP could impact the timing of revenue recognition, which may have a material effect on the Company's financial position and result of operations as the contract consideration is allocated to each performance obligation, delivered or undelivered, at the inception of the contract based on the SSP of each distinct performance obligation.

The Company estimates the amount expected to be collected based upon management's assessment of historical write-offs and expected net collections, business and economic conditions and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections as a primary source of information in estimating the amount of contract consideration expected to be collected and implicit price concessions. The Company believes its analysis provides reasonable estimates of its revenues and valuations of its accounts receivable. For the six months ended June 30, 2019 and 2018, estimated implicit price concessions reduced contractual revenues by $39,095 and $19,443, respectively.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies (Continued)

A description of the revenue recognition for each product sold by the Company is detailed below.

Aligners and impression kits: The Company enters into contracts with customers for aligner sales that involve multiple future performance obligations. The Company determined that aligner sales comprise the following distinct performance obligations: initial aligners, modified aligners, and refinement aligners which can occur at any time throughout the treatment plan (which is typically between five to ten months) upon the direction of and prescription from the treating dentist or orthodontist. The Company recognized $346,703 and $165,341 of aligner sales during the six months ended June 30, 2019 and 2018, respectively.

The Company allocates revenues for each performance obligation based on its SSP and recognizes the revenues as control of the performance obligation is transferred upon shipment of the aligners. The Company recognizes aligner revenue on amounts expected to be collected during the course of the treatment plan.

The Company bills its customers either upfront for the full cost of aligners or monthly through its *SmilePay* financing program, which involves a down payment and a fixed amount per month for up to 24 months. The Company's accounts receivable related to the SmilePay financing program are reported at the amount expected to be collected on the consolidated balance sheets, which considers implicit price concessions. Financing revenue from its accounts receivable is recognized based on the contractual market interest rate with the customer, net of implicit price concessions. The Company recognized $19,664 and $9,548 of financing revenue from its *SmilePay* program during the six months ended June 30, 2019 and 2018, respectively, which is included in the consolidated statements of operations. There are no fees or origination costs included in accounts receivable.

The Company sells impression kits to its customers as an alternative to an in-person visit at one of its retail locations where the customer receives a free oral digital imaging of their teeth. The Company combines the sales of its impression kits with aligner sales and recognizes the revenues as control of the performance obligation is transferred upon shipment of the aligners. The Company estimates the amount of impression kit sales that do not result in an aligner therapy treatment plan and recognizes such revenue when aligner conversion becomes remote.

Retainers and Other Products: The Company sells retainers and other products (such as whitening gel) to customers which can be purchased on the Company's website. The sales of these products are independent and separate from the customer's decision to purchase aligner therapy treatment. The Company determined that the transfer of control for these performance obligations occurs as the title of such products passes to the customer.

Deferred Revenue: Deferred revenue represents the Company's contract liability for performance obligations associated with sales of aligners. During the six months ended June 30, 2019 and 2018, the Company recognized $373,530 and $175,064 of revenue, respectively, of which $14,600 and $9,900 was previously included in deferred revenue on the consolidated balance sheets as of December 31, 2018 and 2017, respectively.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies (Continued)

Shipping and Handling Costs

Shipping and handling charges are recorded in cost of revenues in the consolidated statements of operations upon shipment. The Company incurred approximately $7,601 and $4,809 in outsourced shipping expenses for the periods ended June 30, 2019 and 2018, respectively.

Cost of Revenues

Cost of revenues includes the total cost of products produced and sold. Such costs include direct materials, direct labor, overhead costs (occupancy costs, indirect labor, and depreciation), freight and duty expenses associated with moving materials from vendors to the Company's facilities and from its facilities to the customers, and adjustments for shrinkage (physical inventory losses), lower of cost or net realizable value, slow moving product and excess inventory quantities.

Marketing and Selling Expenses

Marketing and selling expenses include direct online and offline marketing and advertising costs, costs associated with intraoral imaging services, selling labor, and occupancy costs of SmileShop locations. All marketing and selling expenses are expensed as incurred. For the six months ended June 30, 2019 and 2018, the Company incurred direct online and offline marketing and advertising costs of $142,526 and $65,551, respectively.

General and Administrative Expenses

General and administrative expenses include payroll and benefit costs for corporate team members, equity-based compensation expenses, occupancy costs of corporate facilities, bank charges and costs associated with credit and debit card interchange fees, outside service fees, and other administrative costs, such as computer maintenance, supplies, travel, and lodging.

Equity-Based Compensation

The Company recognizes equity-based compensation for units expected to vest for employees and non-employees on a straight-line basis over the requisite service period of the award. For employee awards, the Company determined the grant date fair value of the awards by estimating the total equity value by considering the future cash flows of the Company and the market multiples of companies engaged in similar businesses. The total equity value was allocated to the various classes of member units and warrants using the contingent claim analysis based on the Merton framework. For non-employee awards, the Company recognizes compensation based on the vesting date fair value of the awards using the same method as described above. Forfeitures are recorded as incurred. The assumptions used in calculating the fair value of equity-based awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and the Company uses different assumptions, its equity-based compensation could be materially different in the future.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies (Continued)

Depreciation and Amortization

Depreciation includes expenses related to the Company's property, plant and equipment, including capital leases. Amortization includes expenses related to definite-lived intangible assets. Depreciation and amortization is calculated using the straight-line method over the useful lives of the related assets, ranging from three to ten years. Leasehold improvements are amortized using the straight-line method over the shorter of the related lease terms or their useful lives. Depreciation and amortization is included in cost of revenues, selling expenses, and general and administrative expenses depending on the purpose of the related asset. Depreciation and amortization for the six months ended June 30, 2019 and 2018 were as follows:

	2019	2018
Cost of revenues	$ 4,414	$ 1,722
Marketing and selling expenses	2,061	523
General and administrative expenses	3,248	489
Total	$ 9,723	$ 2,734

Income Taxes

As a limited liability company, SDC Financial files its income tax returns as a partnership for federal and state tax purposes. As such, SDC Financial does not pay any federal income taxes, as any income or loss will be included in the tax returns of the individual members. The Company does pay state income tax in certain jurisdictions, and the Company's income tax provision in the consolidated financial statements reflects the income taxes for those states. Additionally, certain wholly-owned entities are required to be evaluated on a stand-alone basis resulting in federal income taxes, and such federal income taxes are included in the consolidated financial statements.

Fair Value of Financial Instruments

The Company measures the fair value of financial instruments as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies (Continued)

inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1	—	Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2	—	Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
Level 3	—	Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The Company's financial instruments consist of cash, receivables, accounts payable, debt instruments, derivative financial instruments and preferred units classified as temporary equity. Due to their short-term nature, the carrying values of cash, receivables, trade payables, and debt instruments approximate current fair value at each balance sheet date. The derivative financial instruments are held at fair value, and the preferred units are recorded at the accreted redemption value. The Company had $151,300 and $144,400 in borrowings under its debt facilities (as discussed in Notes 8 and 13) as of June 30, 2019 and December 31, 2018, respectively. Based on current market interest rates (Level 2 inputs), the carrying value of the borrowings under its debt facilities approximates fair value for each period reported.

Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with applicable accounting standards for such instruments and hedging activities, which require that all derivatives are recorded on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company had no outstanding derivatives at June 30, 2019 or December 31, 2018; however, the Company may enter into derivative contracts that are intended to economically hedge a certain portion of its risk, even though hedge accounting does not apply or the Company elects not to apply the hedge accounting standards.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies (Continued)

Certain Risks and Uncertainties

The Company's operating results depend to a significant extent on the ability to market and develop its products. The life cycles of the Company's products are difficult to estimate due, in part, to the effect of future product enhancements and competition. The inability to successfully develop and market the Company's products as a result of competition or other factors would have a material adverse effect on its business, financial condition and results of operations.

The Company provides credit to customers in the normal course of business. The Company maintains reserves for potential credit losses and such losses have been within management's expectations. No individual customer accounted for 1% or more of the Company's accounts receivable at June 30, 2019 or December 31, 2018, or net revenue for the six months ended June 30, 2019 and 2018.

The Company's products are considered medical devices and are subject to extensive regulation in the U.S. and internationally. The regulations to which the Company is subject are complex. Regulatory changes could result in restrictions on the ability to carry on or expand its operations, higher than anticipated costs or lower than anticipated sales. The failure to comply with applicable regulatory requirements may have a material adverse impact on us.

The Company's reliance on international operations exposes it to related risks and uncertainties, including difficulties in staffing and managing international operations, such as hiring and retaining qualified personnel; political, social and economic instability; interruptions and limitations in telecommunication services; product and material transportation delays or disruption; trade restrictions and changes in tariffs; import and export license requirements and restrictions; fluctuations in foreign currency exchange rates; and potential adverse tax consequences. If any of these risks materialize, operating results, may be harmed.

The Company purchases certain inventory from sole suppliers, and the inability of any supplier or manufacturer to fulfill the supply requirements could materially and adversely impact its future operating results.

Cash

Cash consists of all highly-liquid investments with original maturities of less than three months. Cash is held in various financial institutions in the U.S. and internationally.

Inventories

Inventories are stated at the lower of cost or net realizable value using the first-in, first-out method of inventory accounting. Inventory consists of raw materials for producing impression kits and aligners and finished goods. Inventory is net of shrinkage and obsolescence.

Property, Plant and Equipment, net

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Routine maintenance and repairs are charged to expense as incurred. At the time property, plant and

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies (Continued)

equipment are retired from service, the cost and accumulated depreciation or amortization are removed from the respective accounts and the related gains or losses are reflected in the consolidated statements of operations.

Leases

Assets under capital leases are amortized in accordance with the Company's normal depreciation policy for owned assets or over the lease term, if shorter, and the related charge to operations is included in depreciation expense in the consolidated statements of operations.

The Company leases office spaces and equipment under operating leases with original lease periods of up to 10 years. Certain of these leases have free or escalating rent payment provisions and lease incentives provided by the landlord. Rent expense is recognized under such leases on a straight-line basis over the term of the lease. The Company occasionally receives reimbursements from landlords to be used towards improving the related store to be leased. Leasehold improvements are recorded at their gross costs, including items reimbursed by landlords. Related reimbursements are deferred and amortized on a straight-line basis as a reduction of rent expense over the applicable lease term.

Internally Developed Software Costs

The Company generally provides services to its customers using software developed for internal use. The costs that are incurred to develop such software are expensed as incurred during the preliminary project stage. Once certain criteria have been met, direct costs incurred in developing or obtaining computer software are capitalized. Training and maintenance costs are expensed as incurred. Capitalized software costs are included in property, plant and equipment in the consolidated balance sheets and are amortized over a three-year period. During the six months ended June 30, 2019 and 2018, the Company capitalized $4,886 and $87, respectively, of internally developed software costs. Amortization expense for internally developed software was $737 and de minimis for the six months ended June 30, 2019 and 2018, respectively.

Impairment

The Company evaluates long-lived assets (including finite-lived intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. An asset or asset group is considered impaired if its carrying amount exceeds the future undiscounted net cash flows that the asset or asset group is expected to generate. Factors the Company considers important which could trigger an impairment review include significant negative industry or economic trends, significant loss of customers and changes in the competitive environment. If an asset or asset group is considered to be impaired, the impairment to be recognized is calculated as the amount by which the carrying amount of the asset or asset group exceeds its fair market value. The Company's estimates of future cash flows attributable to long-lived assets require significant judgment based on its historical and anticipated results and are subject to many assumptions. The estimation of fair value utilizing a discounted cash flow approach includes numerous uncertainties which require significant judgment when making assumptions of expected growth rates and the selection of discount rates, as well as

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 1—Summary of Significant Accounting Policies (Continued)

assumptions regarding general economic and business conditions, and the structure that would yield the highest economic value, among other factors.

Debt Issuance Costs

The Company records debt issuance costs related to its term debt as direct deductions from the carrying amount of the debt. The costs are amortized to interest expense over the life of the debt using the effective interest method.

Redeemable Series A Preferred Units

SDC Financial classified its Redeemable Series A Preferred Units ("Series A Units") as temporary equity on the consolidated balance sheet due to certain deemed liquidation events that are outside of its control. The Company evaluated the Series A Units upon issuance in order to determine classification as to permanent or temporary equity and whether or not the instrument contains an embedded derivative that requires bifurcation. This analysis followed the whole instrument approach which compares an individual feature against the entire instrument that includes that feature. This analysis was based on a consideration of the economic characteristics and risk of the Series A Units including: (i) redemption rights on the Series A Units allowing the Series A Unitholders the ability to redeem the Series A Units six years from the anniversary of the Series A Units original issuance, provided that a qualified public offering has not been consummated prior to such date; (ii) conversion rights that allow the Series A Unitholders the ability to convert into common member units at any time; (iii) the Series A Unitholders may vote based on the combined membership percentage interest; and (iv) distributions of the preferred return on the Series A Units are subject to the same conditions as non-Series A Unit distributions which require all distributions to be approved by SDC Financial's board of directors.

The Company has elected the accreted redemption value method in which it will accrete changes in the redemption value, as defined in Note 9, over the period from the date of issuance of the Series A Units to the earliest redemption date (six years from the date of issuance) using the effective interest method.

Note 2—Recent Accounting Pronouncements

New Accounting Pronouncements Not Yet Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "*Leases (Topic 842).*" This update requires a dual approach for lessee accounting under which a lessee will account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability on its balance sheet, with differing methodology for income statement recognition. In July 2018, ASU 2018-10, "*Codification Improvements to Topic 842, Leases*," was issued to provide more detailed guidance and additional clarification for implementing ASU 2016-02. Furthermore, in July 2018, the FASB issued ASU 2018-11, "*Leases (Topic 842): Targeted Improvements*," which provides an optional transition method in addition to the existing modified retrospective transition method by allowing a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. These new leasing standards are effective for fiscal years beginning after December 15, 2019, with early adoption permitted.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 2—Recent Accounting Pronouncements (Continued)

The Company is evaluating the effect of the adoption of this guidance on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, "*Financial Instruments—Credit Losses" (Topic 326)*." The FASB issued this update to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments in this update replace the existing guidance of incurred loss impairment methodology with an approach that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2018, the FASB issued ASU 2018-19, "*Codification Improvements to Topic 326, Financial Instruments—Credit Losses*," which clarifies the scope of guidance in the ASU 2016-13. The updated guidance is effective for annual periods beginning after December 15, 2020. Early adoption of the update is permitted in fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

In June 2018, the FASB issued ASU 2018-07, "*Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting,"* which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees. This guidance is effective for years beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, "*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*," which amends the disclosure requirements for fair value measurements by removing, modifying and adding certain disclosures. This guidance is effective for years beginning after December 15, 2020, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-15, "*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*." This update clarifies the accounting treatment for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. This guidance is effective for years beginning after December 15, 2020, with early adoption permitted. The amendments may be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is currently assessing the impact that adoption of this guidance will have on its consolidated financial statements and related disclosures.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 3—Inventories

Inventories are comprised of the following:

	June 30, 2019	December 31, 2018
Raw materials	$ 7,674	$ 3,486
Finished goods	6,075	5,295
Total inventories	$ 13,749	$ 8,781

Note 4—Prepaid and other assets

Prepaid and other assets are comprised of the following:

	June 30, 2019	December 31, 2018
Prepaid expenses	$ 4,870	$ 2,642
Deposits to vendors	3,569	2,822
Other	3,115	318
Total prepaid and other current assets	$ 11,554	$ 5,782
Indefinite-lived intangible assets	$ 6,269	$ —
Total other assets	$ 6,269	$ —

In March 2019, the Company purchased an intangible asset related to manufacturing. The Company evaluates the remaining useful lives and carrying values of this indefinite-lived intangible asset, at least annually or when events and circumstances warrant such a review, to determine whether significant events or changes in circumstances indicate that a change in the useful life or impairment in value may have occurred. There were no impairment charges during the six months ended June 30, 2019.

Note 5—Property, plant and equipment, net

Property, plant and equipment are comprised of the following at June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
Lab and SmileShop equipment	$ 47,736	$ 30,627
Computer equipment and software	32,492	14,748
Leasehold improvements	8,807	7,208
Furniture and fixtures	5,936	5,174
Vehicles	2,310	721
Construction in progress	10,478	6,031
	107,759	64,509
Less: accumulated depreciation	(20,989)	(11,958)
Property, plant and equipment, net	$ 86,770	$ 52,551

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 5—Property, plant and equipment, net (Continued)

The carrying values of assets under capital leases were $7,975 and $6,285 as of and June 30, 2019 and December 31, 2018, respectively, net of accumulated depreciation of $1,836 and $582, respectively.

Note 6—Accrued liabilities

Accrued liabilities are comprised of the following at June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
Accrued marketing costs	$ 32,685	$ 11,760
Accrued payroll and payroll related expenses	16,993	10,469
Other	14,050	12,710
Total accrued liabilities	$ 63,728	$ 34,939

Note 7—Income taxes

SDC Financial and its subsidiaries are limited liability companies and have elected to be treated as a partnership for federal income tax purposes. Certain exceptions apply, however, including SDC Holding, LLC and subsidiaries and foreign entities that are treated as corporations for tax purposes. While most states do not impose an entity level tax on partnership income, SDC Financial is subject to entity level tax in both Tennessee and Texas. The Company also has operations in Costa Rica, Puerto Rico, Canada and Australia with tax filings in each foreign jurisdiction. Accordingly, the Company files income tax returns in the U.S. federal, various state and foreign jurisdictions. The Company's U.S. federal and state income tax returns for the tax years 2015 and beyond remain subject to potential for examination by the IRS. With respect to state and local jurisdictions, SDC Financial and its subsidiaries are potentially subject to examination for several years after the income tax returns have been filed.

The Company's operations in Costa Rica are subject to agreements allowing for a 0% income tax rate for eight years ending in 2025.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 7—Income taxes (Continued)

The Company recognizes interest and penalties related to income tax matters in income tax expense, and such amounts were not significant to the consolidated statements of operations. The income tax provision for the six months ended June 30, 2019 and 2018, respectively, was as follows:

	2019	2018
Current:		
Federal	$ —	$ 89
State	102	120
Foreign	—	—
Current income tax provision	102	209
Deferred:		
Federal	—	—
State	15	—
Foreign	—	—
Deferred income tax provision	15	—
Total income tax provision	$ 117	$ 209

Significant components of the Company's deferred tax assets (liabilities) as of June 30, 2019 and December 31, 2018 were as follows:

	June 30, 2019	December 31, 2018
Depreciation and amortization	$ (248)	$ (984)
Deferred revenue	1,253	697
Accruals and reserves	116	508
Net operating loss carryforwards	5,888	2,259
Deferred warrant expense	—	191
Other	3	(5)
Gross deferred tax assets and (liabilities)	7,012	2,666
Valuation allowance	(7,027)	(2,722)
Net deferred tax assets and (liabilities)	$ (15)	$ (56)

At June 30, 2019 the Company had net operating loss carryforwards (tax effected) for income tax purposes of approximately $5,888, which expire from 2029 through 2033.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 8—Long-Term Debt

The Company's debt and capital lease obligations are comprised of the following at June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
TCW financing agreement, net of unamortized discount and financing costs of $19,719	$ —	$ 100,781
Warrant repurchase obligation	—	31,900
JPM credit facility, net of unamortized financing costs of $5,946	145,353	—
Align redemption promissory note	47,427	—
Capital lease obligations (Note 14)	8,202	6,308
Total debt	200,982	138,989
Less current portion	(29,504)	(1,866)
Total long-term debt	$ 171,478	$ 137,123

TCW financing agreement

In February 2018 the Company entered into a financing agreement with TCW Direct Lending ("TCW Credit Facility") to provide a debt facility to the Company. The TCW Credit Facility provides for an initial term loan of $55,000 ("Initial Term Loan") and the potential to draw up to an additional $70,000 ("Delayed Draw Facility"). The Initial Term Loan and the Delayed Draw Facility mature February 2023. At the Company's election, the Initial Term Loan and the Delayed Draw Facility will bear interest at an annual rate of LIBOR or reference rate, as defined in the agreement, plus an applicable margin that is based on the Company's leverage (8% margin for the year ending December 31, 2018). The TCW Credit Facility also includes make-whole provisions in case of termination of the facility.

The TCW Credit Facility was secured by a first mortgage and lien on the real property and related personal and intellectual property of the Company.

The Company recorded $3,514 and $3,125 of deferred financing costs and issuance discounts, respectively, related to the TCW Credit Facility. During the six months ended June 30, 2019 and 2018, the Company amortized under the effective interest rate method $2,209 and $1,871, respectively, of deferred financing and debt issuance costs which is included in interest expense on the consolidated statements of operations.

In December 2018, the Company entered into an amendment to the TCW Credit Facility ("Amended Credit Facility") which added and amended certain terms of the Initial Term Loan, including the quarterly revenue and profit targets, and issued the warrant repurchase obligation (described further below).

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 8—Long-Term Debt (Continued)

In addition, the Amended Credit Facility contains certain covenants which, among other things, limit the incurrence of additional indebtedness, investments, dividends, transactions with affiliates, asset sales, acquisitions, mergers and consolidations, liens and encumbrances and other matters customarily restricted in such agreements. The Company is limited on dividends or distributions on equity interest for any subsidiary or pay any subordinated indebtedness owed to the Company or any of its subsidiaries. The Company is also limited on investments in subsidiaries to $10,000 ($5,000 in foreign subsidiaries), and the subsidiaries of the Company are limited to pay SDC Financial expenses in the amount of $500 per annum. The material financial covenants, ratios or tests contained in the TCW Credit Facility are as follows:

- The Company must obtain certain quarterly consolidated revenue and profit targets in certain periods, as defined in the agreement.
- The Company must maintain a delinquency rate on its receivables not to exceed 22.5%.
- The Company must maintain a minimum liquidity, as defined in the agreement, of at least $5,000.

If an event of default shall occur and be continuing under the TCW Credit Facility, the commitments under the TCW Credit Facility may be terminated and the principal amount outstanding under the TCW Credit Facility, together with all accrued unpaid interest and other amounts (including any make-whole provisions) owing in respect thereof, may be declared immediately due and payable.

As described below, the Company used the proceeds from the JPM Credit Facility to repay the TCW Credit facility in June 2019. In connection with the repayment, the Company paid $11,947 related the make-whole provision, and wrote-off $2,584 and $15,109 of deferred financing and debt issuance costs, respectively, which is included in loss from extinguishment of debt on the consolidated statements of operations.

Warrant and warrant repurchase obligation

In February 2018, SDC Financial issued, concurrently with the TCW Credit Facility, warrants to the lenders thereunder (collectively, the "Warrants"). The Warrants were split into two series: Class W-1 and Class W-2 Warrants. The Class W-1 and Class W-2 Warrants were convertible in to 1,121 and 2,243 W-1 and W-2 membership units, respectively, with each having a conversion price of $297.26 per unit.

Prior to the Company entering the Amended Credit Facility, the Warrants included put and call options; whereby, the Company could either purchase up to 75% of the outstanding Warrants, or the Warrant holders could require the Company to purchase up to 100% of the Warrants. The Company had initially accounted for the Warrants as a derivative which was initially recorded at fair value of $17,400 and subsequently adjusted to fair value in other expense in the consolidated statement of operations.

The Amended Credit Facility cancelled the put and call features of the Warrants, eliminated the convertibility of the Warrants into member equity units, and the Company agreed it would repurchase the Warrants for a fixed amount, subject to interest ("Warrant Repurchase Obligation"). The price at which the Company agreed to repurchase the Warrant Repurchase Obligation is $31,900 and if the payment occurs after March 31, 2019, interest is accrued under the Initial Term Loan, and such interest shall be

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 8—Long-Term Debt (Continued)

added to the principal amount of the Initial Term Loan. The Warrant Repurchase Obligation is classified as long-term debt on the consolidated balance sheet as of December 31, 2018.

As described below, the Company used the proceeds from the JPM Credit Facility to repay the Warrants in June 2019.

JPM credit facility

In June 2019, the Company entered into a loan and security agreement with JPMorgan Chase Bank, N.A., as the administrative agent, the collateral agent and a lender (the "JPM Credit Facility"), providing a secured revolving credit facility in an initial aggregate maximum principal amount of $500 million with the potential to increase the aggregate principal amount that may be borrowed up to an additional $250 million with the consent of the lenders participating in such increase. Availability under the JPM Credit Facility is based on, among other things, the amount of eligible retail installment sale contracts.

The JPM Credit Facility provides for interest on the outstanding principal balance of a spread above prevailing commercial paper rates or, to the extent the advance is not funded by a conduit lender through the issuance of commercial paper, LIBOR. The JPM Credit Facility also provides for an unused fee based on the unused portion of the total aggregate commitment. There is no amortization schedule; however, the debt is reduced monthly as available collections on the related financed receivables are applied to outstanding principal. Upon expiration of the JPM Credit Facility on December 14, 2020 (unless earlier terminated or extended in accordance with its terms), any outstanding principal will continue to be reduced monthly through available collections.

The Company recorded $6,127 related to deferred financing costs of the JPM Credit Facility. During the six months ended June 30, 2019, the Company amortized under the effective interest rate method $182 of deferred financing costs.

The proceeds of the JPM Credit Facility were used to repay all outstanding amounts under the TCW Credit Facility, including repurchasing the Warrants and for working capital and other corporate purposes.

The JPM Credit Facility is secured by, among other assets, a first-priority security interest in certain receivables and certain intellectual property. As of June 30, 2019, the Company had $256,127 of its receivables collateralized as part of the JPM Credit Facility.

The JPM Credit Facility contains certain covenants. The material financial covenants, ratios or tests contained in the JPM Credit Facility are as follows:

- The Company must maintain a monthly minimum tangible net worth not less than $150,000
- The Company must maintain a monthly minimum liquidity, as defined in the agreement, not less than the greater of $75,000 and 5% of consolidated total assets
- The Company must maintain a monthly leverage ratio, as defined in the agreement, not greater than 4:1
- The Company must maintain a minimum credit scores, charge-off and collection ratios on the portfolio of its SmilePay receivables

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 8—Long-Term Debt (Continued)

As of June 30, 2019, the Company had $151,300 outstanding and was in compliance with all covenants in the JPM Credit Facility.

Align redemption promissory note

In connection with the required redemption of the Align's 20,710 Class C non-incentive units described in Note 14 and the assignment and assumption agreement described in Note 10, the Company entered into a promissory note with Align. Under the terms of the promissory note, the Company will make $2,311 monthly payments through March 2021. The promissory note bears annual interest of 2.52% which is included in the consolidated statement of operations. As of June 30, 2019, the Company has $47,427 outstanding under this promissory note.

Note 9—Redeemable Series A Preferred Units

In October 2018, SDC Financial issued 14,784 Redeemable Series A Preferred Units ("Series A Units") for net proceeds of $388,634, after deduction of $11,578 in issuance costs. The redemption value for each Series A Units is equal to the greater of (i) the original unit price less any distributions for such Series A Unit and (ii) the fair value for such Series A Unit. The Series A Unitholders may redeem the Series A Units six years after the issuance date; provided, that a liquidation event has not been consummated prior to such date. The Series A Units are convertible to common membership units at any time based upon the election of the Series A Unitholders or on a qualified public offering based on a conversion price of $27,071 per unit. Each Series A Unitholder shall vote in accordance with such member's percentage interest. Additionally, the Series A Unitholders receive priority on preferred returns and return of capital on any member distributions.

The Series A Units accrue a preferred return at the rate of 12.5% per annum, which amount shall be cumulative and compound annually. As of December 31, 2018, the accrued preferred returns were $13,676. The distributions of the preferred return on the Series A Units are subject to the same conditions as non-Series A Unit distributions which require all distributions to be approved by SDC Financial's board of directors. For the year ended December 31, 2018, SDC Financial had not declared nor paid any preferred returns on the Series A Units. Additionally, there are certain actions that require a majority consent by the Series A Unitholders, and the Series A Unitholders have the right to select a member of the Company's board of directors.

The Company classified the Series A Units containing the redemption features described above as temporary equity in the consolidated balance sheets as redemption is outside the control of the Company. The Series A Units are recorded at the redemption value and the Company accounts for the changes in the redemption value using the accretion method which is recorded through members' equity. The Company recorded $36,761 of accretion during the six months ended June 30, 2019

At the Company's discretion, the Company may distribute approximately $200,000 of the proceeds from the issuance of the Series A Units to non-Series A Unitholders. No such distribution was made during the six months ended June 30, 2019.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 10—Members' Equity

The SDC Financial operating agreement, as amended and restated, provides for classes of units, allocation of profits and losses, distribution preferences, and other member rights. The operating agreement allows for common units, Class A, Class B, Class C, Class D, and Series A units. Each unitholder generally votes separately as a class. Proposals require a majority vote for approval, and proposals for dissolution, liquidation or termination also require a majority vote of the preferred units voting as a class and a majority of the common units voting as a class. Members are limited in their liability to their capital contributions. Refer Note 9 for Series A Unitholder rights.

The Class A and Class B incentive units have various vesting provisions and have been determined to be equity instruments. At June 30, 2019, 47,633 of the 49,084 incentive units were vested. At June 30, 2019, 43,076 of these vested units were held by current or former employees of the Company and 4,557 vested units were held by non-employees who provide services to the Company.

A return of capital to certain non-incentive unitholders or a minimum distribution threshold is required before distributions are made to Class A and B unitholders. The Class A incentive unitholders have also agreed to a portion of their distributions to be allocated to certain non-incentive unitholders. SDC Financial has the option, but not the obligation, to repurchase the incentive units at fair value. The distribution threshold is the amount established with respect to each Class A and B incentive unit upon the issuance of such incentive unit that equals the minimum amount determined by the SDC Financial's board of directors in its reasonable discretion to be necessary to cause such incentive units to constitute a profits interest and which may be adjusted to take into account additional contributions to SDC Financial.

Class C unitholders have the right to select a member of the Company's board of directors. Class D unitholders have substantially the same rights as the common unitholders.

In June 2017, the Company redeemed 2,153 Class B incentive units for $12,396. The Company paid $1,602 of the redemption price in June 2017 and the balance is being paid in 36 equal monthly installments as described in Note 13 above. In addition, the Company advanced a distribution of $1,398 to the seller to be repaid out of any future proceeds of the remaining units owned by the seller. This advance bears interest at 1.15% and is reflected as a reduction of members' equity.

In January 2018, the Company redeemed 271 Class B incentive units for $1,546 which is payable over 24 months as described in Note 13.

SDC Financial's operating agreement, as amended and restated, provides that any distributions, other than tax distributions will be made according to the following priority on a cumulative basis:

- First, to the Series A Unitholders in proportion to the aggregate unpaid preferred return unpaid immediately prior to such distribution;
- Second, to the Series A Unitholders in proportion to the respective number of Series A Units until the return of the purchase price of the Series A Units;
- Third, subject to the distribution thresholds (if any), to the holders of non Series A Unitholders pro rata until each non Series A Unitholder has been distributed an amount equal to the prorata amount of distributions to the Series A Unitholders above.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 10—Members' Equity (Continued)

- Fourth, to the Series A and non Series A Unitholders in proportion to their Percentage Interests, subject to certain member specific adjustments related to the Class A and B units, as defined in the Operating Agreement:

Notwithstanding the foregoing, no distribution can be made with respect to any Class A or B unit that is subject to a distribution threshold, until such time as the cumulative distributions to the other Series A and non Series A Unitholders reach that distribution threshold.

In the event of a change in form of SDC Financial to become a corporation, each Series A and non Series A Unitholder will receive equity interests in the successor corporation having a value equal to the amount the unitholder would be entitled to in the event of a liquidation. The rate of conversion is determined based on the valuation at the time of the conversion event, distributions thresholds, cumulative distributions to date and the number of each class of equity units outstanding at that time.

As described in Note 14, Align was required to sell its 20,710 Class C non-incentive units to the non-Series A unitholders of SDC Financial for $54,154. Per the terms of the ruling, this redemption was effectuated in April 2019 by the remaining non-Series A unitholders. In June 2019, SDC Financial entered into an assignment and assumption agreement with the non-Series A unitholders to redeem and cancel these Class C non-incentive units in an amount equal to the redemption between Align and the non-Series A unit holders.

SDC Financial had the following member units:

	June 30, 2019	December 31, 2018
Common units	38,489	38,489
Class A incentive units	46,174	46,174
Class B incentive units	2,910	2,910
Class C non-incentive units	0	20,710
Class D non-incentive units	595	595
Total units	88,168	108,878

The profits or losses of the Company for each fiscal year are allocated among the unitholders so as to ensure that the capital account of the unitholder is equal to the aggregate distributions that such unitholder would be entitled to receive if all of the assets of the Company were sold for their fair value.

SDC Financial has warrants outstanding for 369 units at June 30, 2019 and December 31, 2018. The exercise price of the warrants is $2,519 per unit and expire during 2026.

On August 29, 2019, the Company declared a distribution of $43.4 million less any amount determined to be due and payable to Align in connection with a current arbitration proceeding with Align (see Note 14) to the non-Series A unit holders. Such distribution will be paid upon final determination of the outcome and amount payable, if any, in connection with the arbitration.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 11—Equity-Based Compensation

Incentive units may be granted to current or prospective officers or employees or non-employees. For employee incentive units, the fair value of the incentive units are based on SDC Financial's unit value on the date of grant. For non-employee incentive units, the fair value is determined at the time of vesting. A summary of equity-based compensation expense recognized during the six months ended June 30, 2019 and 2019:

	June 30, 2019	June 30, 2018
Incentive units to employees	$ 641	$ 888
Incentive units to non-employees	7,621	6,984
Total	$ 8,262	$ 7,872

Amounts are included in general and administrative expense on the consolidated statements of operations.

The agreements were modified in July 2019 to accelerate certain vesting conditions upon a change of control. No incremental costs were incurred subsequent to the financial statements at June 30, 2019 as a result of the modifications as the vesting of such is contingent on a change in control.

Note 12—Employee Benefit Plans

The Company has agreements with several key employees to provide a bonus payment in the event of a liquidation event as defined in each agreement. The bonus amounts are calculated based on the value of the Company at the time of the liquidation event less an amount determined upon the employee entering into the agreement. The right to the payment generally vests annually over a five-year period, with certain liquidation events resulting in an acceleration of the vesting period. No amounts were required to be recorded for these agreements as of June 30, 2019 and December 31, 2018. The agreements were modified in July 2019 to accelerate certain vesting conditions upon a liquidation event and to allow the Company to settle in units or cash. No incremental compensation costs were incurred as a result of the modification as the vesting of such is contingent on a liquidation event.

The Company sponsors a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code that covers substantially all U.S. employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. For the six months ended June 30, 2019 and 2018, the Company matched 100% of employees' salary deferral contributions up to 3% and 50% of employees' salary deferral contributions from 3% to 5% of employees' eligible compensation. The Company contributed $1,063 and $549 to the 401(k) plan for the six months ended June 30, 2019 and 2018, respectively.

Note 13—Related Party Transactions

Promissory Notes to Majority Member and Related Parties

These notes consist of three promissory notes payable to two unitholders, one of whom is a majority member, and a related party of a unitholder. These notes were subordinated to the Align Loan Agreement

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 13—Related Party Transactions (Continued)

and the TCW Credit Facility, bear interest at 10%, and are payable with interest annually. These loans mature in 2019. As of June 30, 2019 and December 31, 2018, the balances of these notes were $0 and $11,685, respectively. Interest expense of $0 and $820 was incurred for the six months ended June 30, 2019 and 2018, respectively.

As of June 30, 2019 and December 31, 2018, the Company had promissory notes of $3,984 and $7,968, respectively, outstanding to former employees related to repurchases of membership units which have interest and principal payments due in monthly installments over 24 to 36 months. The promissory notes bear interest of 1.7% to 3.0%. Interest on these promissory notes payable was $75 and $133 for the six months ended June 30, 2019 and 2018, respectively.

Products and Services

The Company is affiliated through common ownership with several other entities ("Affiliates"). The Affiliates incur costs related to the Company, including travel costs, certain senior management personnel costs, freight, and rent, the most significant of which is freight. The Company reimbursed $4,764 and $4,078 of freight incurred through an Affiliate during the six months ended June 30, 2019 and 2018, respectively, which is included in cost of revenues—related parties. These costs incurred by Affiliates related to the Company are billed at actual cost to the Company by the Affiliates.

In addition, the Company paid one of the Affiliates $900 and $600 in management fees for the six months ended June 30, 2019 and 2018, respectively, included in general and administrative expenses. These fees include charges relating to several individuals who provide senior leadership to the Company as well as certain other services. Certain of these individuals have been granted incentive units, which have resulted in equity-based compensation expense (see Note 11).

The Company was party to a Strategic Supply Agreement with Align, a former unitholder of the Company, in which the Company had the option to purchase aligners from Align at a price that varies with the level of product purchased. While the majority of the Company's aligners were manufactured in-house, the Company did purchase aligners under this agreement. Additionally, the Company purchases oral digital imaging equipment from Align. For the six months ended June 30, 2019 and 2018, purchases from Align of equipment were $5,651 and $4,600, respectively, and purchases of aligners included in cost of revenues—related parties were $6,577 and $14,432, respectively.

In February 2019, we entered into an agreement with the David Katzman Revocable Trust (the "Trust") to purchase all of the issued and outstanding membership units of a limited liability corporation ("SDC Plane") owned by the Trust for a purchase price of approximately $1.1 million, which was the Trust's acquisition cost. SDC Plane owns an interest in an aircraft, which is available for use by our executives.

In August 2019, we agreed to purchase a private aircraft from Camelot SI Leasing, LLC, for $3,400.

At June 30, 2019 and December 31, 2018, amounts due to related parties for goods and services were $3,443 and $20,305, respectively. These amounts are included within due to related parties on the consolidated balance sheets.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 14—Commitments and Contingencies

Lease Commitments

The Company has various operating leases, primarily for leased facilities. Total rental expense for these operating leases amounted to $13,149 and $4,849 for the six months ended June 30, 2019 and 2018, respectively. The Company recognizes rent expense on a straight-line basis over the life of the lease, adjusted for lessor incentives received, which commences on the date that the Company has the right to control the property.

At June 30, 2019, future minimum payments for capital and operating leases consist of the following:

	Capital Leases	Operating Leases
2019 (six months remaining)	$ 1,674	$ 7,690
2020	3,348	8,289
2021	3,599	7,781
2022	819	5,573
2023 and thereafter	—	15,454
Total minimum lease payments	9,440	$ 44,787
Amount representing interest	1,239	
Present value of minimum lease payments	8,201	
Less: current portion	(2,661)	
	$ 5,540	

Legal Matters

The Company is involved, from time to time, in various contractual, product liability, intellectual property and other claims and disputes incidental to its business. While litigation is subject to uncertainties and the outcome of litigated matters is not predictable with assurance, the Company currently believes that the disposition of all pending or, to the knowledge of the Company, threatened claims and disputes, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

In March 2019, a final arbitration award was issued in an arbitration proceeding brought by the Company alleging that one of its Members, Align, had violated certain restrictive covenants set forth in the Company's' Operating Agreement. The arbitrator ruled that Align had breached both the non-competition and confidentiality provisions of the Operating Agreement and that, as a result, Align was required to close its stores, return all of the Company's confidential information and to sell its membership units to the non-Series A unitholders of SDC Financial for an amount equal to the balance in Align's capital account as of November 2018. In addition to the above, the arbitrator extended the Align non-competition period through August of 2022.

On July 2, 2019, Align filed a claim for arbitration alleging a breach of the Operating Agreement by the Company in connection with the redemption price of the units formerly owned by Align in the Company, as ordered by the arbitrator in the prior arbitration pending between Align and the Company.

SDC FINANCIAL, LLC AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2019

(in thousands, except units and per unit amounts)

Note 14—Commitments and Contingencies (Continued)

This claim could result in an additional $43,400 of redemption amounts that the Company would pay Align. The Company believes that this new arbitration is barred by the final and non-appealable order in the initial arbitration. The Company does not believe that an unfavorable outcome is probable in light of the principle of res judicata.

Other

The Company periodically receives communications from state and federal regulatory and similar agencies inquiring about the nature of the Company's business activities, licensing of professionals providing services, and similar matters. Such matters are routinely concluded with no financial or operational impact on the Company. While the outcome of any individual matter is not predictable with assurance, there are currently no actions with any agency that would reasonably be expected to have a material adverse effect on the Company's operations, financial condition, results, or liquidity.

Note 15—Segment Reporting

The Company provides aligner products primarily through its retail locations and internet site. The Company's chief operating decision maker views its operations and manages the business on a consolidated basis and, therefore the Company has one operating segment, aligner products, for segment reporting purposes in accordance with ASC 280-10, "*Segment Reporting*." For the six months ended June 30, 2019 and 2018, substantially all of the Company's revenues were generated by sales within the United States and substantially all of its net property, plant and equipment was within the United States.

Note 16—Supplemental Cash Flow Information

The supplemental cash flow information comprised of the following for the six months ended June 30:

	2019	2018
Interest paid	$ 7,118	$ 2,644
Purchases of equipment included in accounts payable	$ 9,119	$ 3,764
Property acquired under capital leases	$ 2,944	$ —
Promissory note issued in exchange for member unit redemptions	$ —	$ 1,546

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How it works.

1 3D image.

Take a free 3D image at a SmileShop or SmileBus.

or

Impression kit.

Purchase an easy-to-use, prescribed impression kit online. When done, drop the impression kit in the mail and upload required photos.

2 Building new smiles.

Within 48 hours, a duly licensed dentist or orthodontist reviews the clinical information and prescribes aligners if appropriate. The average treatment plan is 6 months.

3 Aligners ship directly.

3–4 weeks later, our in-house manufactured custom-made aligners are shipped, all at once.

4 Checking in.

The treating duly licensed doctor reviews clinical progress through our remote teledentistry platform at least every 90 days.

5 Smiles are forever.

Once the smile journey is completed, members can buy retainers and our other products to help maintain a smile they'll love.

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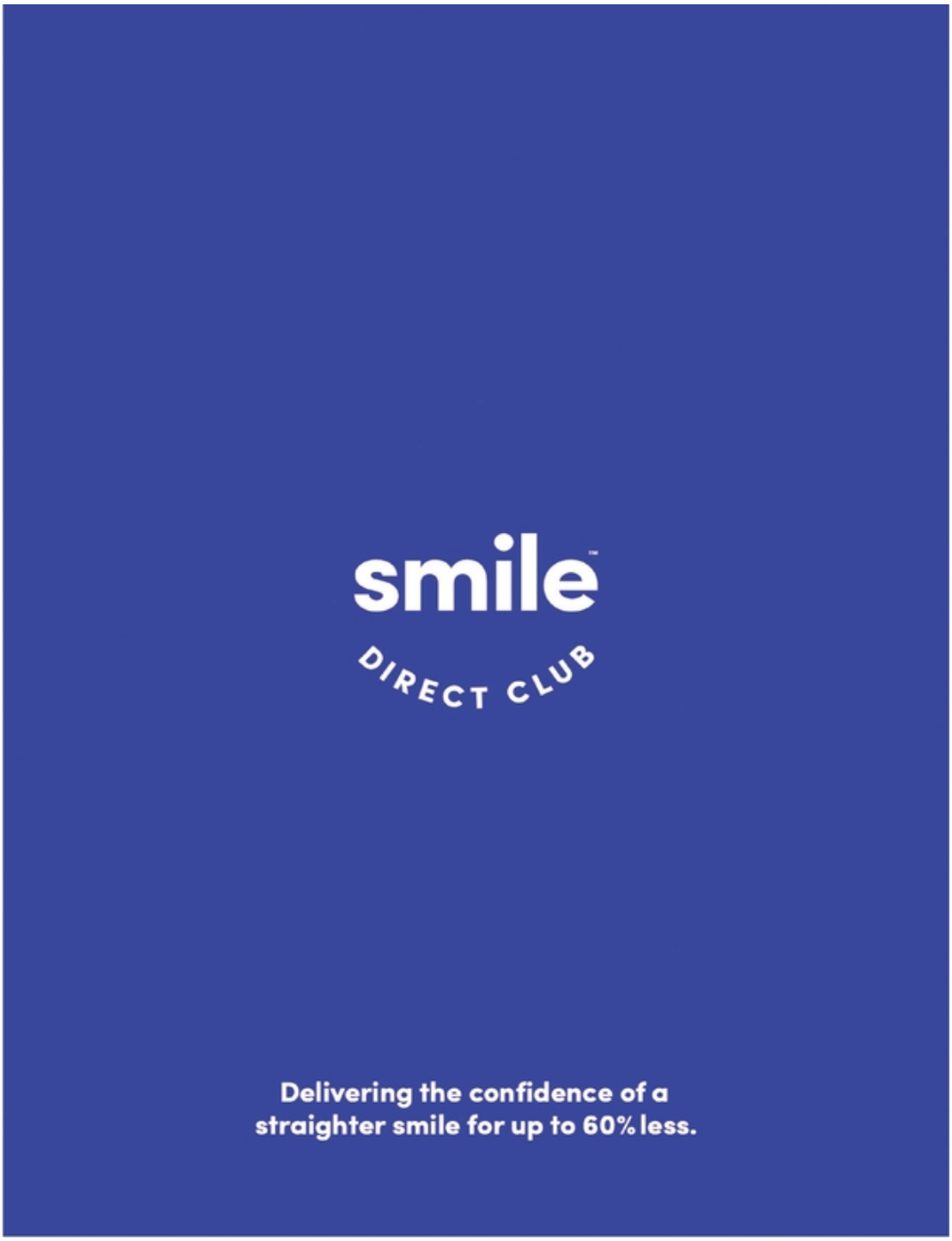

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58,537,000 Shares

Class A Common stock

Preliminary Prospectus

J.P. Morgan
Citigroup
BofA Merrill Lynch
Jefferies
UBS Investment Bank
Credit Suisse
Guggenheim Securities
Stifel
William Blair
Loop Capital Markets

, 2019

Through and including (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to any unsold allotment or subscription.

PART II—INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Expenses of Issuance and Distribution

The following table sets forth the estimated costs and expenses, other than the underwriting discount, payable by us in connection with the sale of the securities being registered hereby. All amounts shown are estimates except the SEC registration fee and the Financial Industry Regulatory Authority filing fee.

Expenses of Issuance and Distribution ($ thousands)	$ Amount to be Paid
SEC registration fee	$ 179,496
FINRA filing fee	222,648
Exchange listing fee	165,000
Transfer agent and registrar fees	20,000
Printing and engraving expenses	595,000
Legal fees and expenses	5,000,000
Accounting fees and expenses	1,850,000
Miscellaneous	1,967,856
Total Expenses of Issuance and Distribution	$ 10,000,000

(a) To be completed by amendment

Item 14. Indemnification of Directors and Officers

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payment of dividends or unlawful stock purchases or redemptions, or (iv) for any transaction from which the director derived an improper personal benefit. Our amended and restated certificate of incorporation will contain such a provision.

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement in connection with specified actions, suits, or proceedings, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the corporation—a "derivative action"), if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) incurred in connection with defense or settlement of such action, and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. Our amended and restated certificate of incorporation and amended and restated bylaws will contain such a provision.

We have in effect a directors and officers liability insurance policy indemnifying our directors and officers for certain liabilities incurred by them, including liabilities under the Securities Act and the Exchange Act. We pay the entire premium of this policy.

We intend to enter into indemnification agreements with each of our directors and officers that provide the maximum indemnity allowed to directors and officers by Section 145 of the Delaware General Corporation Law and which allow for certain additional procedural protections.

These indemnification provisions and the indemnification agreements may be sufficiently broad to permit indemnification of our officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

Item 15. Recent Sales of Unregistered Securities

Since three years before the date of the initial filing of this registration statement, the registrant has sold the following securities without registration under the Securities Act:

- In connection with the transactions described under "*Organizational Structure—Reorganization Transactions*" in the accompanying prospectus, the registrant will issue an aggregate of shares of its Class B common stock to the existing members of SDC Financial, LLC. The shares of Class B common stock described above will be issued for nominal consideration in reliance on the exemption contained in Section 4(a)(2) of the Securities Act of 1933 on the basis that the transaction will not involve a public offering. No underwriters will be involved in the transaction.

Item 16. Exhibits and Financial Statement Schedules

(a) ***Exhibits.*** See the Exhibit Index immediately preceding the signature pages hereto, which is incorporated by reference as if fully set forth herein.

(b) ***Financial Statement Schedules.*** None.

Item 17. Undertakings

The undersigned registrant hereby undertakes:

- Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the registrant pursuant to the provisions referenced in Item 14 of this registration statement, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered hereunder, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

- The undersigned registrant hereby undertakes that:

  a. For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

  b. For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

EXHIBIT INDEX

Exhibit Number	Description
1.1	Form of Underwriting Agreement
3.1	Form of Amended and Restated Certificate of Incorporation
3.2	Form of Amended and Restated By-Laws(c)
4.1	Form of Voting Agreement by and among David Katzman and the parties named therein(c)
4.2	Registration Rights Agreement
5.1	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP
10.1	Form of Indemnification Agreement for Officers and Directors(b)
10.2	Form of Amended and Restated Limited Liability Company Agreement of SDC Financial, LLC
10.3	Form of Tax Receivable Agreement, by and among SmileDirectClub, Inc. and certain holders described therein
10.4	Loan and Security Agreement, dated as of June 14, 2019, by and among SDC U.S. SmilePay SPV, as borrower, SmileDirectClub, LLC, as seller and servicer, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and the lenders from time to time party thereto*(c)
10.5	Form of SmileDirectClub, Inc. 2019 Omnibus Incentive Plan(b)(c)
10.6	Form of SmileDirectClub, Inc. 2019 Stock Purchase Plan(b)
10.7	Form of SmileDirectClub, Inc. Change in Control Severance Agreement(b)
10.8	Form of SmileDirectClub, Inc. 2019 Omnibus Equity Incentive Plan Restricted Stock Unit Grant Notice(b)(c)
10.9	Form of SmileDirectClub, Inc. 2019 Omnibus Equity Incentive Plan Stock Option Grant Notice(b)
16.1	Letter Regarding Change in Accountants(c)
21.1	List of Subsidiaries of the Registrant
23.1	Consent of Ernst & Young LLP
23.2	Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in Exhibit 5.1)
23.3	Consent of Frost & Sullivan(c)
24.1	Power of Attorney(c)
99.1	Consent of William H. Frist, as director nominee(c)
99.2	Consent of Richard F. Wallman, as director nominee(c)
99.3	Consent of Carol J. Hamilton, as director nominee(c)

(a) To be filed by amendment.

(b) Management contract or compensatory plan or arrangement.

(c) Previously filed.

* Exhibits and schedules have been omitted pursuant to Item 601(b)(10) of Regulation S-K. The registrant undertakes to furnish copies of any omitted exhibits and schedules to the SEC upon request.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Nashville, State of Tennessee, on the 9th day of September, 2019.

SMILEDIRECTCLUB, INC.

By: /s/ DAVID KATZMAN

Name: David Katzman
Title: *Chief Executive Officer*

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ DAVID KATZMAN David Katzman	Chief Executive Officer and Chairman (Principal Executive Officer)	September 9, 2019
/s/ KYLE WAILES Kyle Wailes	Chief Financial Officer (Principal Financial and Accounting Officer)	September 9, 2019
/s/ STEVEN KATZMAN Steven Katzman	Chief Operating Officer and Director	September 9, 2019
* Jordan Katzman	Director	September 9, 2019
* Alexander Fenkell	Director	September 9, 2019
* Richard Schnall	Director	September 9, 2019
* Susan Greenspon Rammelt	General Counsel, Secretary, and Director	September 9, 2019

*By: /s/ DAVID KATZMAN
David Katzman
As Attorney-in-Fact

Exhibit 1.1

SmileDirectClub, Inc.

[·] Shares of Class A Common Stock

Underwriting Agreement

[·], 2019

J.P. Morgan Securities LLC
Citigroup Global Markets Inc.
As Representatives of the
several Underwriters listed
in Schedule 1 hereto

c/o J.P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179

c/o Citigroup Global Markets Inc.
388 Greenwich Street
New York, NY 10013

Ladies and Gentlemen:

SmileDirectClub, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to the several underwriters listed in Schedule 1 hereto (the "Underwriters"), for whom you are acting as representatives (the "Representatives"), an aggregate of [·] shares of Class A common stock, par value $0.0001 per share, of the Company (the "Underwritten Shares") and at the option of the Underwriters, up to an additional [·] shares of Class A common stock of the Company (the "Option Shares"). The Underwritten Shares and the Option Shares are herein referred to as the "Shares". The shares of Class A common stock of the Company to be outstanding after giving effect to the sale of the Shares are referred to herein as the "Stock".

On the date hereof, the business of the Company is conducted through SDC Financial LLC, a Tennessee limited liability company ("SDC LLC"), and its subsidiaries. Prior to the Closing Date (as hereinafter defined), SDC LLC will execute a series of transactions (the "Reorganization Transactions") pursuant to which, among other things, SDC LLC will convert to a Delaware limited liability company and SDC LLC will appoint the Company as the sole managing member of SDC LLC. As the sole managing member of SDC LLC, the Company will operate and control all of the business and affairs of SDC LLC and, through SDC LLC and its subsidiaries, conduct its business. The Company and SDC LLC are collectively referred to herein as the "SDC Parties".

UBS Financial Services, Inc. (the "Directed Share Underwriter") has agreed to reserve a portion of the Shares to be purchased by it under this Agreement, up to [·] shares, for sale to the Company's directors, officers, and certain employees of SDC LLC and other parties related to the Company (collectively, "Participants"), as set forth in the Prospectus (as hereinafter defined)

under the heading "Underwriting" ("Directed Share Program"). The Shares to be sold by the Directed Share Underwriter and its affiliates pursuant to the Directed Share Program are referred to hereinafter as the "Directed Shares". Any Directed Shares not orally confirmed for purchase by any Participant by [·] [A/P].M., New York City time on the business day on which this Agreement is executed will be offered to the public by the Underwriters as set forth in the Prospectus.

Each SDC Party hereby confirms its agreement with the several Underwriters concerning the purchase and sale of the Shares, as follows:

1. Registration Statement. The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Securities Act"), a registration statement on Form S-1 (File No. 333-233315), including a prospectus, relating to the Shares. Such registration statement, as amended at the time it became effective, including the information, if any, deemed pursuant to Rule 430A, 430B or 430C under the Securities Act to be part of the registration statement at the time of its effectiveness ("Rule 430 Information"), is referred to herein as the "Registration Statement"; and as used herein, the term "Preliminary Prospectus" means each prospectus included in such registration statement (and any amendments thereto) before effectiveness, any prospectus filed with the Commission pursuant to Rule 424(a) under the Securities Act and the prospectus included in the Registration Statement at the time of its effectiveness that omits Rule 430 Information, and the term "Prospectus" means the prospectus in the form first used (or made available upon request of purchasers pursuant to Rule 173 under the Securities Act) in connection with confirmation of sales of the Shares. If the Company has filed an abbreviated registration statement pursuant to Rule 462(b) under the Securities Act (the "Rule 462 Registration Statement"), then any reference herein to the term "Registration Statement" shall be deemed to include such Rule 462 Registration Statement. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Registration Statement and the Prospectus.

At or prior to the Applicable Time (as defined below), the Company had prepared the following information (collectively with the pricing information set forth on Annex A, the "Pricing Disclosure Package"): a Preliminary Prospectus dated [·], 2019 and each "free-writing prospectus" (as defined pursuant to Rule 405 under the Securities Act) listed on Annex A hereto.

"Applicable Time" means [·] [A/P].M., New York City time, on [·], 2019.

2. Purchase of the Shares.

(a) The Company agrees to issue and sell the Underwritten Shares to the several Underwriters as provided in this underwriting agreement (this "Agreement"), and each Underwriter, on the basis of the representations, warranties and agreements set forth herein and subject to the conditions set forth herein, agrees, severally and not jointly, to purchase at a price per share of $[·] (the "Purchase Price") from the Company the respective number of Underwritten Shares set forth opposite such Underwriter's name in Schedule 1 hereto.

In addition, the Company agrees to issue and sell the Option Shares to the several Underwriters as provided in this Agreement, and the Underwriters, on the basis of the representations,

warranties and agreements set forth herein and subject to the conditions set forth herein, shall have the option to purchase, severally and not jointly, from the Company the Option Shares at the Purchase Price less an amount per share equal to any dividends or distributions declared by the Company and payable on the Underwritten Shares but not payable on the Option Shares.

If any Option Shares are to be purchased, the number of Option Shares to be purchased by each Underwriter shall be the number of Option Shares which bears the same ratio to the aggregate number of Option Shares being purchased as the number of Underwritten Shares set forth opposite the name of such Underwriter in Schedule 1 hereto (or such number increased as set forth in Section 10 hereof) bears to the aggregate number of Underwritten Shares being purchased from the Company by the several Underwriters, subject, however, to such adjustments to eliminate any fractional Shares as the Representatives in their sole discretion shall make.

The Underwriters may exercise the option to purchase Option Shares at any time in whole, or from time to time in part, on or before the thirtieth day following the date of the Prospectus, by written notice from the Representatives to the Company. Such notice shall set forth the aggregate number of Option Shares as to which the option is being exercised and the date and time when the Option Shares are to be delivered and paid for, which may be the same date and time as the Closing Date (as hereinafter defined) but shall not be earlier than the Closing Date nor later than the tenth full business day (as hereinafter defined) after the date of such notice (unless such time and date are postponed in accordance with the provisions of Section 10 hereof). Any such notice shall be given at least two business days prior to the date and time of delivery specified therein.

(b) The Company understands that the Underwriters intend to make a public offering of the Shares, and initially to offer the Shares on the terms set forth in the Pricing Disclosure Package. The Company acknowledges and agrees that the Underwriters may offer and sell Shares to or through any affiliate of an Underwriter.

(c) Payment for the Shares shall be made by wire transfer in immediately available funds to the account specified by the Company to the Representatives in the case of the Underwritten Shares, at the offices of Latham & Watkins LLP (885 Third Avenue, New York, NY 10022) at 10:00 A.M. New York City time on [·], 2019, or at such other time or place on the same or such other date, not later than the fifth business day thereafter, as the Representatives and the Company may agree upon in writing or, in the case of the Option Shares, on the date and at the time and place specified by the Representatives in the written notice of the Underwriters' election to purchase such Option Shares. The time and date of such payment for the Underwritten Shares is referred to herein as the "Closing Date", and the time and date for such payment for the Option Shares, if other than the Closing Date, is herein referred to as the "Additional Closing Date".

Payment for the Shares to be purchased on the Closing Date or the Additional Closing Date, as the case may be, shall be made against delivery to the Representatives for the respective accounts of the several Underwriters of the Shares to be purchased on such date or the Additional Closing Date, as the case may be, with any transfer taxes payable in connection with the sale of such Shares duly paid by the Company. Delivery of the Shares shall be made through the facilities

of The Depository Trust Company ("DTC") unless the Representatives shall otherwise instruct.

(d) Each of the SDC Parties acknowledges and agrees that the Representatives and the other Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the SDC Parties with respect to the offering of Shares contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the SDC Parties or any other person. Additionally, neither the Representatives nor any other Underwriter is advising the SDC Parties or any other person as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The SDC Parties shall consult with their own advisors concerning such matters and each shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and neither the Representatives nor any other Underwriter shall have any responsibility or liability to the SDC Parties with respect thereto. Any review by the Representatives and the other Underwriters of the SDC Parties, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Representatives and the other Underwriters and shall not be on behalf of the SDC Parties.

3. Representations and Warranties of the SDC Parties. Each SDC Party represents and warrants to each Underwriter that:

(a) *Preliminary Prospectus.* No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and each Preliminary Prospectus included in the Pricing Disclosure Package, at the time of filing thereof, complied in all material respects with the applicable requirements of the Securities Act, and no Preliminary Prospectus, at the time of filing thereof, contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the SDC Parties make no representation or warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in any Preliminary Prospectus, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 7(b) hereof.

(b) *Pricing Disclosure Package*. The Pricing Disclosure Package as of the Applicable Time did not, and as of the Closing Date and as of the Additional Closing Date, as the case may be, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the SDC Parties make no representation or warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in such Pricing Disclosure Package, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 7(b) hereof. No statement of material fact included in the

Prospectus has been omitted from the Pricing Disclosure Package and no statement of material fact included in the Pricing Disclosure Package that is required to be included in the Prospectus has been omitted therefrom.

(c) *Issuer Free Writing Prospectus.* Other than the Registration Statement, the Preliminary Prospectus and the Prospectus, the Company (including its agents and representatives, other than the Underwriters in their capacity as such) has not prepared, made, used, authorized, approved or referred to and will not prepare, make, use, authorize, approve or refer to any "written communication" (as defined in Rule 405 under the Securities Act) that constitutes an offer to sell or solicitation of an offer to buy the Shares (each such communication by the Company or its agents and representatives (other than a communication referred to in clause (i) below) an "Issuer Free Writing Prospectus") other than (i) any document not constituting a prospectus pursuant to Section 2(a)(10)(a) of the Securities Act or Rule 134 under the Securities Act or (ii) the documents listed on Annex A hereto, each electronic road show and any other written communications approved in writing in advance by the Representatives. Each such Issuer Free Writing Prospectus complies in all material respects with the Securities Act, has been or will be (within the time period specified in Rule 433) filed in accordance with the Securities Act (to the extent required thereby) and does not conflict with the information contained in the Registration Statement or the Pricing Disclosure Package, and, when taken together with the Preliminary Prospectus accompanying, or delivered prior to delivery of, such Issuer Free Writing Prospectus, did not, and as of the Closing Date and as of the Additional Closing Date, as the case may be, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the SDC Parties make no representation or warranty with respect to any statements or omissions made in each such Issuer Free Writing Prospectus or Preliminary Prospectus in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in such Issuer Free Writing Prospectus or Preliminary Prospectus, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 7(b) hereof.

(d) *Emerging Growth Company*. From the time of initial confidential submission of the Registration Statement to the Commission (or, if earlier, the first date on which the Company engaged directly or through any person authorized to act on its behalf in any Testing-the-Waters Communication) through the date hereof, the Company has been and is an "emerging growth company," as defined in Section 2(a) of the Securities Act (an "Emerging Growth Company"). "Testing-the-Waters Communication" means any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the Securities Act.

(e) *Testing-the-Waters Materials.* The Company (i) has not alone engaged in any Testing-the-Waters Communications other than Testing-the-Waters Communications with the consent of the Representatives with entities that are qualified institutional buyers

within the meaning of Rule 144A under the Securities Act or institutions that are accredited investors within the meaning of Rule 501 under the Securities Act and (ii) has not authorized anyone other than the Representatives to engage in Testing-the-Waters Communications. The Company reconfirms that the Representatives have been authorized to act on its behalf in undertaking Testing-the-Waters Communications by virtue of a writing substantially in the form of Exhibit A hereto. The Company has not distributed or approved for distribution any Written Testing-the-Waters Communications other than those listed on Annex B hereto. "Written Testing-the-Waters Communication" means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Securities Act. Any individual Written Testing-the-Waters Communication does not conflict with the information contained in the Registration Statement or the Pricing Disclosure Package, complied in all material respects with the Securities Act, and when taken together with the Pricing Disclosure Package as of the Applicable Time, did not, and as of the Closing Date and as of the Additional Closing Date, as the case may be, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) *Registration Statement and Prospectus.* The Registration Statement has been declared effective by the Commission. No order suspending the effectiveness of the Registration Statement has been issued by the Commission, and no proceeding for that purpose or pursuant to Section 8A of the Securities Act against the Company or related to the offering of the Shares has been initiated or, to the Company's knowledge, threatened by the Commission; as of the applicable effective date of the Registration Statement and any post-effective amendment thereto, the Registration Statement and any such post-effective amendment complied and as of the Closing Date will comply in all material respects with the applicable provisions of the Securities Act, and did not as of its effective date and will not as of the Closing Date contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; and as of the date of the Prospectus and any amendment or supplement thereto, and as of the Closing Date and as of the Additional Closing Date, as the case may be, the Prospectus will comply in all material respects with the Securities Act and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the SDC Parties make no representation or warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in the Registration Statement and the Prospectus and any amendment or supplement thereto, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 7(b) hereof.

(g) *Financial Statements.* The financial statements (including the related notes thereto) of the Company and its consolidated subsidiaries included in the Registration Statement, the Pricing Disclosure Package and the Prospectus comply in all

material respects with the applicable requirements of the Securities Act and present fairly in all material respects the financial position of the Company and its consolidated subsidiaries as of the dates indicated and the results of their operations and the changes in their cash flows for the periods specified; such financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States applied on a consistent basis throughout the periods covered thereby, and any supporting schedules included in the Registration Statement present fairly in all material respects the information required to be stated therein; and the other financial information included in the Registration Statement, the Pricing Disclosure Package and the Prospectus has been derived from the accounting records of the SDC Parties and their consolidated subsidiaries and presents fairly the information shown thereby; and all disclosures included in the Registration Statement, the Pricing Disclosure Package and the Prospectus regarding "non-GAAP financial measures" (as such term is defined by the rules and regulations of Commission) comply in all material respects with Regulation G of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Exchange Act") and Item 10 of Regulation S-K of the Securities Act, to the extent applicable; and the pro forma financial information and the related notes thereto included in the Registration Statement, the Pricing Disclosure Package and the Prospectus have been prepared in accordance with the applicable requirements of the Securities Act and the assumptions underlying such pro forma financial information are reasonable and are set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(h) *No Material Adverse Change.* Since the date of the most recent financial statements of the Company included in the Registration Statement, the Pricing Disclosure Package and the Prospectus, except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, (i) there has not been any change in the capital stock (other than the issuance of shares of Class A common stock upon exercise or settlement (including any "net" or "cashless" exercise or settlements) of restricted stock units and warrants described as outstanding in, and the grant of options, restricted stock units and awards under existing equity incentive plans described in, the Registration Statement, the Pricing Disclosure Package and the Prospectus, short-term debt or long-term debt of either SDC Party or any of their subsidiaries, or any dividend or distribution of any kind declared, set aside for payment, paid or made by any SDC Party on any class of capital stock, or any material adverse change in or affecting the business, properties, management, financial position, stockholders' equity, results of operations or prospects of the SDC Parties and their subsidiaries taken as a whole; (ii) neither the SDC Parties nor any of their subsidiaries have entered into any transaction or agreement (whether or not in the ordinary course of business) that is material to the SDC Parties and their subsidiaries taken as a whole or incurred any liability or obligation, direct or contingent, that is material to the SDC Parties and their subsidiaries taken as a whole; and (iii) none of the SDC Parties nor any of their subsidiaries has sustained any loss or interference with its business that is material to the SDC Parties and their subsidiaries taken as a whole and that is either from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority, except in

each case as otherwise disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus. The subsidiaries listed in Schedule 2 to this Agreement are the only Significant Subsidiaries of the Company.

(i) *Organization and Good Standing*. Each SDC Party and each of their subsidiaries have been duly organized and are validly existing and in good standing under the laws of their respective jurisdictions of organization, are duly qualified to do business and are in good standing in each jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification, and have all power and authority necessary to own or hold their respective properties and to conduct the businesses in which they are engaged, except where the failure to be so qualified or in good standing or have such power or authority would not, individually or in the aggregate, have a material adverse effect on the business, properties, management, financial position, stockholders' equity, results of operations or prospects of the SDC Parties and their subsidiaries taken as a whole or on the performance by the Company of its obligations under this Agreement (a "Material Adverse Effect").

(j) *Capitalization.* Each SDC Party has an authorized capitalization as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus under the heading "Capitalization"; all the outstanding shares of capital stock of each SDC Party have been duly and validly authorized and issued and are fully paid and non-assessable and are not subject to any pre-emptive or similar rights; except as described in or expressly contemplated by the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no outstanding rights (including, without limitation, pre-emptive rights), warrants or options to acquire, or instruments convertible into or exchangeable for, any shares of capital stock or other equity interest in any SDC Party or any of its subsidiaries, or any contract, commitment, agreement, understanding or arrangement of any kind relating to the issuance of any capital stock of any such SDC Party or any such subsidiary, any such convertible or exchangeable securities or any such rights, warrants or options; the capital stock of each SDC Party conforms in all material respects to the descriptions thereof contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus; and all the outstanding shares of capital stock or other equity interests of each subsidiary owned, directly or indirectly, by each SDC Party has been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly or indirectly by the SDC Parties, free and clear of any lien, charge, encumbrance, security interest, restriction on voting or transfer or any other claim of any third party except (i) pursuant to the Loan and Security Agreement, dated as of June 14, 2019, by and among SDC U.S. SmilePay SPV, as borrower, SmileDirectClub, LLC, as seller and servicer, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and the lenders from time to time party thereto (the "JPM Facility") and (ii) certain pledges of limited liability company interests in SDC LLC by certain members of SDC LLC to UBS Group AG pursuant to certain margin loans, the balance of which will be paid in full on the Closing Date with proceeds from sale of the Underwritten Shares and such pledges shall be released.

(k) *Due Authorization.* Each SDC Party has full right, power and authority to execute and deliver, to the extent a party thereto, (a) this Agreement; (b) the Amended and Restated Limited Liability Company Agreement of SDC LLC, to become effective on or prior to the Closing Date (as so amended and restated, the "SDC LLC Agreement"); (c) the tax receivable agreement (the "Tax Receivable Agreement") among the Company, SDC LLC and certain holders of limited liability company interests in SDC LLC who will retain their limited liability company interests in SDC LLC (the "Continuing SDC Equity Owners"); and (d) the Registration Rights Agreement (the "Registration Rights Agreement") among the Company, the Continuing SDC Equity Owners and certain holders of common stock of the Company (collectively, the "Transaction Documents"), and to perform its obligations hereunder and thereunder; and all action required to be taken for the due and proper authorization, execution and delivery by it of this Agreement and each of the Transaction documents to which it is a party and the consummation by it of the transactions contemplated hereby has been duly and validly taken.

(l) *Underwriting Agreement.* This Agreement has been duly authorized, executed and delivered by each SDC Party.

(m) *The Shares.* The Shares to be issued and sold by the Company hereunder have been duly authorized by the Company and, when issued and delivered and paid for as provided herein, will be duly and validly issued, will be fully paid and nonassessable and will conform in all material respects to the descriptions thereof in the Registration Statement, the Pricing Disclosure Package and the Prospectus; and the issuance of the Shares is not subject to any preemptive or similar rights.

(n) *Other Transaction Documents.* Each of the SDC LLC Agreement, the Tax Receivable Agreement and the Registration Rights Agreement has been duly authorized by such SDC Party, to the extent a party thereto, and, when duly executed and delivered in accordance with its respective terms by each of the parties thereto, will constitute a valid and legally binding agreement of each such SDC Party enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally or by equitable principles relating to enforceability.

(o) *Descriptions of the Transaction Documents.* Each Transaction Document conforms in all material respects to the description thereof contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(p) *No Violation or Default.* Neither of the SDC Parties nor any of their subsidiaries are (i) in violation of their respective charter or by-laws or similar organizational documents; (ii) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which any SDC Party or any of its subsidiaries is a party or by which any SDC Party or any of its subsidiaries is bound or to which any property or asset of any SDC Party or any of its subsidiaries is subject; or (iii) in violation of any law or statute applicable to any SDC Party or any of its

subsidiaries or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority having jurisdiction over either SDC Party or any of their subsidiaries, except, in the case of clauses (ii) and (iii) above, for any such default or violation that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(q) *No Conflicts.* The execution, delivery and performance by each SDC Party of each of the Transaction Documents to which it is a party, the issuance and sale of the Shares and the consummation of the transactions contemplated by the Transaction Documents or the Pricing Disclosure Package and the Prospectus will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, result in the termination, modification or acceleration of, or result in the creation or imposition of any lien, charge or encumbrance upon any property, right or asset of any SDC Party or any of its subsidiaries pursuant to, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which any SDC Party or any of its subsidiaries is a party or by which any SDC Party or any of its subsidiaries is bound or to which any property, right or asset of any SDC Party or any of its subsidiaries is subject, (ii) result in any violation of the provisions of the charter or by-laws or similar organizational documents of any SDC Party or any of its subsidiaries or (iii) result in the violation of any law or statute applicable to any SDC Party or any of its subsidiaries or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority having jurisdiction over any SDC Party or any of its subsidiaries, except, in the case of clauses (i) and (iii) above, for any such conflict, breach, violation, default, lien, charge or encumbrance that would not, individually or in the aggregate, have a Material Adverse Effect.

(r) *No Consents Required.* No consent, approval, authorization, order, registration or qualification of or with any court or arbitrator or governmental or regulatory authority is required for the execution, delivery and performance by each SDC Party of each of the Transaction Document to which it is a party, the issuance and sale of the Shares and the consummation of the transactions contemplated by each of the Transaction Documents, except for the registration of the Shares under the Securities Act and such consents, approvals, authorizations, orders and registrations or qualifications as may be required by the Financial Industry Regulatory Authority, Inc. ("FINRA") and under applicable state securities laws in connection with the purchase and distribution of the Shares by the Underwriters.

(s) *Legal Proceedings.* Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no legal, governmental or regulatory investigations, demands, claims, suits, arbitrations, inquiries, audits, surveys, hearings, enforcements, proceedings or other actions ("Actions") pending to which any SDC Party or any of its subsidiaries is a party or to which any property of any SDC Party or any of their subsidiaries is the subject that, individually or in the aggregate, if determined adversely either SDC Party or any of its subsidiaries, could reasonably be expected to have a Material Adverse Effect; to the knowledge of the SDC Parties, no such Actions are threatened or, contemplated by any governmental or regulatory authority or that would reasonably be expected, individually or in the aggregate, to have a

Material Adverse Effect; and (i) there are no current or pending Actions that are required under the Securities Act to be described in the Registration Statement, the Pricing Disclosure Package or the Prospectus that are not so described in the Registration Statement, the Pricing Disclosure Package and the Prospectus and (ii) there are no statutes, regulations or contracts or other documents that are required under the Securities Act to be filed as exhibits to the Registration Statement or described in the Registration Statement, the Pricing Disclosure Package or the Prospectus that are not so filed as exhibits to the Registration Statement or described in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(t) *Independent Accountants*. Ernst & Young LLP, who have certified the consolidated financial statements of the Company and SDC LLC is an independent registered public accounting firm with respect to the Company, SDC LLC and their subsidiaries within the applicable rules and regulations adopted by the Commission and the Public Company Accounting Oversight Board (United States) and as required by the Securities Act.

(u) *Title to Real and Personal Property*. Each SDC Party and its subsidiaries have good and marketable title in fee simple to, or have valid rights to lease or otherwise use, all items of real and personal property that are material to the business of the SDC Parties and their subsidiaries taken as a whole (other than with respect to Intellectual Property, title to which is addressed exclusively in subsection (w)), in each case free and clear of all liens, encumbrances, claims and defects and imperfections of title except those that (i) do not materially interfere with the use made and proposed to be made of such property by the applicable SDC Party and its subsidiaries or (ii) could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(v) *Intellectual Property.* (i) Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, each SDC Party and its subsidiaries own or have the right to use, or can obtain on reasonable terms the right to use all patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, domain names and other source indicators, copyrights and copyrightable works, know-how, trade secrets, systems, procedures, proprietary or confidential information and all other worldwide intellectual property, industrial property and proprietary rights (collectively, "Intellectual Property") used in the conduct of its business; (ii) each SDC Party and its subsidiaries' conduct of their business does not infringe, misappropriate or otherwise violate any Intellectual Property of any person; (iii) each SDC Party and its subsidiaries have not received any written notice of any claim relating to Intellectual Property; and (iv) to the knowledge of the SDC Parties, the Intellectual Property of the SDC Parties and their subsidiaries is not being infringed, misappropriated or otherwise violated by any person.

(w) *No Undisclosed Relationships*. No relationship, direct or indirect, exists between or among any SDC Party or any of its subsidiaries, on the one hand, and the directors, officers, stockholders, customers, suppliers or other affiliates of the any SDC

Party or any of its subsidiaries, on the other, that is required by the Securities Act to be described in each of the Registration Statement and the Prospectus and that is not so described in such documents and in the Pricing Disclosure Package.

(x) *Investment Company Act.* Neither the Company nor SDC LLC is and, immediately after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, will not be required to register as an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Investment Company Act").

(y) *Taxes.* Each SDC Party and its subsidiaries have paid all federal, state, local and foreign taxes and filed all tax returns required to be paid or filed through the date hereof except where failure to pay or file would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and except as otherwise disclosed in each of the Registration Statement, the Pricing Disclosure Package and the Prospectus, or as would not reasonably be expected to have a Material Adverse Effect, there is no tax deficiency that has been, or could reasonably be expected to be, asserted against any SDC Party or any of its subsidiaries or any of their respective properties or assets.

(z) *Licenses and Permits.* Each SDC Party and its subsidiaries and to the Company's knowledge, each Managed Entity (as defined below) possess and are in compliance in all material respects with, all franchises, grants, authorizations, licenses, sub-licenses, certificates, permits, orders, registrations, accreditations, provider or supplier numbers, clearances, exemptions, approvals and other authorizations issued by, and have made all declarations and filings with, any court or any other federal, state, local or foreign governmental or regulatory authority (each, a "Governmental Authority") that are necessary for the ownership or lease of their respective properties or the conduct of the Company's business (collectively, "Permits"), as described in each of the Registration Statement, the Pricing Disclosure Package and the Prospectus including, without limitation, those Permits issued or required by the U.S. Food and Drug Administration ("FDA"), except where the failure to possess or make the same would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and except as described in each of the Registration Statement, the Pricing Disclosure Package and the Prospectus, neither of the SDC Parties or their subsidiaries has received notice that any such Permit has been revoked or materially modified or will not be renewed in the ordinary course. "Managed Entity" means a professional corporation, professional association and other licensed dental practice to which the SDC Parties and its subsidiaries provide management or other administrative or support services. Neither SDC Entity has any ownership interest in any Managed Entity.

(aa) *Regulatory Compliance.* Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, each SDC Party: (i) has not received any Form 483 that remains unresolved, notice of adverse finding, warning

letter, untitled letter or other correspondence or written notice from the FDA, or other Governmental Authority alleging or asserting material noncompliance with the terms of any Permits required by any Health Care Laws (as defined below) (collectively, "Authorizations"); (ii) possesses all Authorizations and such Authorizations are valid and in full force and effect and each SDC Party is not in violation in respect of any term of any such Authorizations; (iii) has not received notice that any Governmental Authority has taken or intends to take action to limit, suspend, materially modify or revoke any material Authorizations that has not been closed without material impact to the Company's business and has no knowledge that any such Governmental Authority is threatening such action, and, to the SDC Parties' knowledge, no event has occurred which allows, or after notice or lapse of time would allow, revocation or termination thereof or results in any other material impairment of the rights of the holder of any material Authorization; (iv) (a) has filed, obtained, maintained or submitted all reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments as required by any Health Care Laws or Authorizations ("Submissions"), (b) all such Submissions were complete and correct on the date filed (or were corrected or supplemented by a subsequent submission), and (c) the SDC Parties are not aware of any reasonable basis for any material liability with respect to such Submissions; (v) has not, either voluntarily or involuntarily, initiated, conducted, or issued or caused to be initiated, conducted or issued, any material recall, market withdrawal or replacement, safety alert, post-sale warning, "dear doctor" letter, or other notice of action relating to the alleged lack of safety or efficacy of any product or any alleged product defect or violation; and (vi) has not, and to the knowledge of the each SDC Party, each of its respective officers and employees and authorized agents have not, made any untrue statement of a material fact or fraudulent statement to any Governmental Authority or knowingly failed to disclose a material fact required to be disclosed to any Governmental Authority except, in the case of clauses (ii) and (iv), where such violation or failure to file would not reasonably be expected to have a Material Adverse Effect.

(bb) *Compliance with Health Care Laws*.

(i) Each SDC Party, its subsidiaries and, to the Company's knowledge, each Managed Entity is currently in compliance with all Healthcare Laws, except where the failure to comply would not reasonably be expected to have a Material Adverse Effect. Neither the SDC Parties nor their subsidiaries, or to the Company's knowledge any Managed Entity, have received any written, or, to the knowledge of the SDC Parties, oral notice from a Governmental Authority of any ongoing non-compliance or liability under any Healthcare Law. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there is no pending or, to the knowledge of the SDC Parties, threatened Action by any Governmental Authority alleging that the corporate structure or contractual arrangements among the SDC Parties, their subsidiaries or to the Company's knowledge, Managed Entities, as applicable, are not in compliance in all material respects with applicable Healthcare Laws, including without limitation: (i) the organization or ownership of dental practices, the employment of, or contracting with, dentists and other dental professionals, and the provision of management or administrative services to the dental practices, (ii) the manner in which dentists may split

or share fees generated from the provision of professional services, (iii) the unauthorized or unlicensed practice of dentistry and (iv) the enforcement of noncompetition covenants entered into by dentists and other healthcare professionals. “Healthcare Laws” means any foreign, federal, state or local law relating to the provision, administration, marketing or advertising of, and/or billing, coding, reimbursement or payment for, healthcare or healthcare-related products or services, including, but not limited to (A) any laws related to the development, clearance, approval, distribution, provision of tele-dentistry services; (B) any laws concerning the corporate practice of dentistry, the employment of, or contracting with, dentists and other dental professionals, and the ownership of dental practices or the provision of management or administrative services in connection with practice of dentistry and other dental professions; (C) fee-splitting laws; (D) licensure laws, including all licensure, scope of practice and supervision laws relating to the practice of dentistry or licensure, certification or registration of healthcare facilities, providers, personnel, services or equipment; (E) the Federal Food, Drug, and Cosmetic Act (21 U.S.C. § 301 et seq.); and (vi) healthcare related fraud and abuse, false claims, self-referral and anti-kickback laws, including the federal Anti-Kickback Statute (42 U.S.C. § 1320a-7b(b)), the Stark Law (42 U.S.C. § 1395nn), the civil False Claims Act (31 U.S.C. § 3729 et seq.), the criminal False Claims Law (42 U.S.C. § 1320a-7b(a)), all criminal laws relating to health care fraud and abuse, including but not limited to 18 U.S.C. Sections 286 and 287, and the health care fraud criminal provisions under the U.S. Health Insurance Portability and Accountability Act of 1996, and its implementing regulations, as amended and supplemented by the Health Information Technology for Clinical Health Act of the American Recovery and Reinvestment Act of 2009, and its implementing regulations (collectively, “HIPAA”) (42 U.S.C. Section 1320d et seq.), any applicable state fraud and abuse prohibitions, including those that apply to all payors (governmental, commercial insurance and self-payors), exclusion laws (42 U.S.C. § 1320a-7), the Program Fraud Civil Remedies Act (Public Law 99-509), and Civil Monetary Penalties Law (42 U.S.C. § 1320a-7a), in each case, as amended, and the regulations promulgated thereunder.

(ii) None of the SDC Parties, any of their subsidiaries or, to the Company’s knowledge, any Managed Entity or any of their respective officers, directors, or employees or, to the knowledge of the SDC Parties, agents, is excluded, suspended or debarred from any federal health care program or Third-Party Payor.

(iii) None of the SDC Parties, any subsidiary or, to the Company’s knowledge, any Managed Entity, is a party to or has any reporting obligations pursuant to any corporate integrity agreement, deferred prosecution agreement, monitoring agreement, settlement agreement, consent decree, order, or similar agreement with or imposed by any Governmental Authority.

(iv) Except as would not be material to the SDC Parties, their subsidiaries or Managed Entities, to the knowledge of the SDC Parties, each Provider employed by or contracted with the SDC Parties, any subsidiary or Managed Entity, is properly licensed for the professional services he or she provides on behalf of the applicable member of the

SDC Parties, their subsidiaries or Managed Entities. “Provider” means any dentist or other licensed dental professional.

(v) Each of the SDC Parties, their subsidiaries and to the Company’s knowledge, Managed Entities that participates in any third party payor program is qualified for participation in such third-party payor programs, whether private, commercial or governmental (“Third-Party Payors”) and is and has been, since January 1, 2016, as applicable, a party to valid participation agreements and holds all required provider numbers for payment by such Third-Party Payors. Since January 1, 2016, all reports, data, billings, and information required to be filed in connection with any Third-Party Payor program have been timely filed and were true and complete in all material respects at the time filed (or were corrected in or supplemented by a subsequent filing). Since January 1, 2016, each such entity has paid all known and undisputed refunds, overpayments, discounts and adjustments that are due with respect to any such report or billing, and there is no pending or, to the knowledge of the SDC Parties, threatened, appeal, adjustment, challenge, recoupment, audit (including written notice of an intent to audit), inquiry or litigation by any Third-Party Payor with respect to any such report or billing, other than in the ordinary course of business or those matters alleging liabilities of less than One Hundred Thousand Dollars ($100,000). Since January 1, 2016, to the knowledge of the SDC parties, none of the SDC Parties nor any of their subsidiaries or Managed Entities has been audited or otherwise examined by any Third-Party Payor, other than in the ordinary course of business or audits or examinations that resulted in liabilities of less than One Hundred Thousand Dollars ($100,000).

(cc) *No Labor Disputes.* No labor disturbance by or dispute with employees of any SDC Party or any of their subsidiaries exists or, to the knowledge of the SDC Parties, is contemplated or threatened in writing, and the SDC Parties are not aware of any existing or imminent labor disturbance by, or dispute with, the employees of any of its or its subsidiaries’ principal suppliers, contractors or customers, except as would not have a Material Adverse Effect. None of the SDC Parties nor any of their subsidiaries has received any notice of cancellation or termination with respect to any collective bargaining agreement to which it is a party.

(dd) *Certain Environmental Matters*. (i) Each SDC Party and its subsidiaries (x) are in compliance with, and have not violated any, applicable federal, state, local and foreign laws (including common law), rules, regulations, requirements, decisions, judgments, decrees, orders and other legally enforceable requirements relating to pollution or the protection of human health or safety, the environment, natural resources, hazardous or toxic substances or wastes, pollutants or contaminants (collectively, “Environmental Laws”); (y) have received and are in compliance with all, and have not violated any, permits, licenses, certificates or other authorizations or approvals required of them under any Environmental Laws to conduct their respective businesses; and (z) have not received written notice of any actual or potential liability or obligation under or relating to, or any actual or potential violation of, any Environmental Laws, including for the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants, and have no knowledge of any event or

condition that would reasonably be expected to result in any such notice, and (ii) there are no costs or liabilities associated with Environmental Laws of or relating to any SDC Party or its subsidiaries, except in the case of each of (i) and (ii) above, for any such matter as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and (iii) except as described in each of the Pricing Disclosure Package and the Prospectus, (x) there is no proceeding that is pending, or that is threatened in writing, against any SDC Party or any of its subsidiaries under any Environmental Laws in which a governmental entity is also a party, other than such proceeding regarding which it is reasonably believed no monetary sanctions of $100,000 or more will be imposed, (y) none of the SDC Parties or any of their subsidiaries is aware of any facts or issues regarding compliance with Environmental Laws, or liabilities or other obligations under Environmental Laws or concerning hazardous or toxic substances or wastes, pollutants or contaminants, that could reasonably be expected to have a Material Adverse Effect, and (z) the SDC Parties and their subsidiaries do not have notice of any outstanding issue or event that would require material capital expenditures relating to any Environmental Laws.

(ee) *Compliance with ERISA*. (i) Each employee benefit plan, within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), for which any SDC Party, or solely with respect to each such employee benefit plan subject to Title IV of ERISA or Section 302 of ERISA or Section 412 of the Internal Revenue Code of 1986, as amended (the "Code"), any SDC Party or any member of its "Controlled Group" (defined as any entity, whether or not formed or incorporated, that is under common control with any SDC Party within the meaning of Section 4001(a)(14) of ERISA or any entity that would be regarded as a single employer with the SDC Party under Section 414(b),(c),(m) or (o) of the Code, would have any liability (each, a "Plan") has been maintained in compliance with its terms and the requirements of any applicable statutes, orders, rules and regulations, including but not limited to ERISA and the Code; (ii) no prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred with respect to any Plan, excluding transactions effected pursuant to a statutory or administrative exemption; (iii) for each Plan that is subject to the funding rules of Section 412 of the Code or Section 302 of ERISA, no Plan has failed (whether or not waived), and, as of the date hereof, the SDC Parties have no knowledge that any such event is reasonably expected to fail, to satisfy the minimum funding standards (within the meaning of Section 302 of ERISA or Section 412 of the Code) applicable to such Plan; (iv) no Plan is, or is reasonably expected to be, in "at risk status" (within the meaning of Section 303(i) of ERISA) and no Plan that is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA is in "endangered status" or "critical status" (within the meaning of Sections 304 and 305 of ERISA) (v) the fair market value of the assets of each Plan equals or exceeds the present value of all benefits accrued under such Plan (determined based on those assumptions used to fund such Plan); (vi) no "reportable event" (within the meaning of Section 4043(c) of ERISA and the regulations promulgated thereunder) has occurred and, as of the date hereof, the SDC Parties have no knowledge that any such event is reasonably expected to occur; (vii) each Plan that is intended to be qualified under Section 401(a) of the Code is so qualified, and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification; (viii) none of the SDC Parties nor any member of its Controlled Group has incurred, nor, as of the date hereof, do the SDC Parties reasonably expect any such party to incur, any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the Pension Benefit Guarantee Corporation, in the ordinary course and without default) in respect of a Plan (including a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA); and (ix) none of the following events has occurred and, as of the date hereof, the SC Parties have no

knowledge that any of the following events is reasonably likely to occur: (A) a material increase in the aggregate amount of contributions required to be made to all Plans by the SDC Parties or their Controlled Group affiliates in the current fiscal year of the SDC Parties and their Controlled Group affiliates compared to the amount of such contributions made in the SDC Parties and their Controlled Group affiliates' most recently completed fiscal year; or (B) a material increase in the SDC Parties and their subsidiaries "accumulated post-retirement benefit obligations" (within the meaning of Accounting Standards Codification Topic 715-60) compared to the amount of such obligations in the SDC Parties and their subsidiaries' most recently completed fiscal year, except in each case with respect to the events or conditions set forth in (i) through (ix) hereof, as would not, individually or in the aggregate, have a Material Adverse Effect.

(ff) *Disclosure Controls*. Each SDC Party and its subsidiaries maintain an effective system of "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Exchange Act) that comply with the requirements of the Exchange Act applicable to the Company and that has been designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, including controls and procedures designed to ensure that such information is accumulated and communicated to applicable SDC Party's management as appropriate to allow timely decisions regarding required disclosure.

(gg) *Accounting Controls*. Each SDC Party and its subsidiaries taken as a whole maintain systems of "internal control over financial reporting" (as defined in Rule 13a-15(f) of the Exchange Act) that comply with the requirements of the Exchange Act applicable to the Company and have been designed by, or under the supervision of, their respective principal executive and principal financial officers, or persons performing similar functions, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Each SDC Party and its subsidiaries taken as a whole maintain internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no material weaknesses in the SDC Parties' internal controls over financial reporting (it being understood that this subsection shall not require the Company to comply with Section 404 of the Sarbanes-Oxley Act of 202, as amended, and the rules and regulations promulgated in connection therewith (the "Sarbanes-Oxley Act") as of an earlier date than it would otherwise be required to so comply under applicable law). The Company's auditors have been advised of: (i) all significant deficiencies and material weaknesses in the design or operation of the SDC Parties' internal controls over financial reporting which have adversely affected or are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the SDC Parties' internal controls over financial reporting.

(hh) *Insurance.* Each SDC Party and its subsidiaries have insurance covering their respective properties, operations, businesses, including business interruption insurance, which insurance is in amounts and insures against such losses and risks as are adequate to protect each SDC Party and its subsidiaries and their businesses; and none of the SDC Parties nor any of their subsidiaries has (i) received notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made in order to continue such insurance or (ii) any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage at reasonable cost from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

(ii) *Cybersecurity; Data Protection.* (i) Each SDC Party and its subsidiaries' information technology assets and equipment, computers, systems, networks, hardware, software, websites, applications, and databases (collectively, "IT Systems") operate and perform their core functionality as required in connection with the operation of the business of the Company and its subsidiaries as currently conducted, except as would not, individually or in the aggregate, be material to each SDC Party and its subsidiaries, taken as a whole, (ii) to the knowledge of the SDC Parties, free and clear of all bugs, errors, defects, Trojan horses, time bombs, malware and other corruptants, except as would not, individually or in the aggregate, be material to each SDC Party and its subsidiaries, taken as a whole; (iii) the SDC Parties and its subsidiaries have implemented and maintained controls, procedures, and safeguards that are commercially reasonable for their industry in an effort to maintain and protect their material confidential information and the integrity, continuous operation, redundancy and security of all IT Systems and all personal, personally identifiable, regulated (including Protected Health Information under HIPAA) or confidential data collected or processed by the Company or its subsidiaries in connection with their businesses ("Personal Data") and (iv) except as otherwise disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, and except as otherwise would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, to the Company's knowledge, there have been no breaches or unauthorized uses of or accesses to such IT Systems or Personal Data. Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, the Company and its subsidiaries are presently in compliance with all applicable laws or statutes, payment card industry data security standards, judgments, orders, rules and regulations of any court or arbitrator or governmental or regulatory authority, and all the Company's and its subsidiaries' applicable internal and customer-facing policies and contractual obligations relating to the privacy and security of IT Systems and Personal Data and to the protection of such IT Systems and Personal Data from unauthorized use, access, misappropriation or modification. No SDC Party or any of their subsidiaries is under investigation by any Governmental Authority or has received any oral, written or other claim, complaint, inquiry, or notice from any third party or any Governmental Authority related to whether the Company's collection, processing, use,

storage, security and/or disclosure of Personal Data is in violation of any applicable laws or privacy policies, or otherwise constitutes an unfair, deceptive or misleading trade practice.

(jj) *No Unlawful Payments.* None of the SDC Parties nor any of their subsidiaries, any director, officer, nor, to the knowledge of the SDC Parties, any employee of the SDC Parties any of their subsidiaries or any agent, affiliate or other person associated with or acting on behalf of the SDC Parties or any of their subsidiaries has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made or taken an act in furtherance of an offer, promise or authorization of any direct or indirect unlawful payment or benefit to any foreign or domestic government official or employee, including of any government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, or any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or committed an offence under the Bribery Act 2010 of the United Kingdom or any other applicable anti-bribery or anti-corruption law; or (iv) made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe or other unlawful benefit, including, without limitation, any rebate, payoff, influence payment, kickback or other unlawful or improper payment or benefit. Each SDC Party and its subsidiaries have instituted, maintain and enforce, and will continue to maintain and enforce policies and procedures designed to promote and ensure compliance with all applicable anti-bribery and anti-corruption laws.

(kk) *Compliance with Anti-Money Laundering Laws*. The operations of each SDC Party and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements, including those of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the applicable money laundering statutes of all jurisdictions where any SDC Party or any of its subsidiaries conducts business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the "Anti-Money Laundering Laws"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving any SDC Party or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the SDC Parties, threatened.

(ll) *No Conflicts with Sanctions Laws.* None of the SDC Parties nor any of their subsidiaries, directors, officers nor to the knowledge of the SDC Parties, employees, any agent, affiliate or other person associated with or acting on behalf of the SDC Parties or any of their subsidiaries is currently the subject or the target of any sanctions administered or enforced by the U.S. government (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC") or the U.S. Department of State and including, without limitation, the designation as a

"specially designated national" or "blocked person"), the United Nations Security Council ("UNSC"), the European Union, Her Majesty's Treasury ("HMT") or other relevant sanctions authority (collectively, "Sanctions"), nor is the Company or any of its subsidiaries located, organized or resident in a country or territory that is the subject or the target of Sanctions, including, without limitation, Crimea, Cuba, Iran, North Korea and Syria (each, a "Sanctioned Country"); and the Company will not directly or indirectly use the proceeds of the offering of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is the subject or target of Sanctions, (ii) to fund or facilitate any activities of or business in any Sanctioned Country or (iii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions. For the past five years, the SDC Parties and their respective subsidiaries have not knowingly engaged in and are not now knowingly engaged in any dealings or transactions with any person that at the time of the dealing or transaction is or was the subject or the target of Sanctions or with any Sanctioned Country.

(mm) *No Restrictions on Subsidiaries*. Other than SDC U.S. SmilePay SPV pursuant to the JPM Facility, no subsidiary of any SDC Party is currently prohibited, directly or indirectly, under any agreement or other instrument to which it is a party or is subject, from paying any dividends to any SDC Party, from making any other distribution on such subsidiary's capital stock or similar ownership interest, from repaying to any SDC Party or its subsidiaries any loans or advances to such subsidiary from such SDC Party or its subsidiaries or from transferring any of such subsidiary's properties or assets to the SDC Parties or its subsidiaries.

(nn) *No Broker's Fees.* None of the SDC Parties nor any of their respective subsidiaries is a party to any contract, agreement or understanding with any person (other than this Agreement) that would give rise to a valid claim against any SDC Party or any of its subsidiaries or any Underwriter for a brokerage commission, finder's fee or like payment in connection with the offering and sale of the Shares.

(oo) *No Registration Rights*. No person has the right to require any SDC Party or any of its subsidiaries to register any securities for sale under the Securities Act by reason of the filing of the Registration Statement with the Commission or the issuance and sale of the Shares that has not been waived.

(pp) *No Stabilization.* Neither the Company nor any of its subsidiaries or affiliates has taken, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in any stabilization or manipulation of the price of the Shares.

(qq) *Margin Rules*. Neither the issuance, sale and delivery of the Shares nor the application of the proceeds thereof by the Company as described in each of the Registration Statement, the Pricing Disclosure Package and the Prospectus will violate Regulation T, U or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors.

(rr) *Forward-Looking Statements.* No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) included or incorporated by reference in any of the Registration Statement, the Pricing Disclosure Package or the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

(ss) *Statistical and Market Data.* Nothing has come to the attention of any SDC Party that has caused such SDC Party to believe that the statistical and market-related data included in each of the Registration Statement, the Pricing Disclosure Package and the Prospectus is not based on or derived from sources that are reliable and accurate in all material respects.

(tt) *Sarbanes-Oxley Act*. There is and has been no failure on the part of the Company or any of the Company's directors or officers, in their capacities as such, to comply with any applicable provision of the Sarbanes-Oxley Act of 2002, including Section 402 related to loans.

(uu) *Status under the Securities Act*. At the time of filing the Registration Statement and any post-effective amendment thereto, at the earliest time thereafter that the Company or any offering participant made a *bona fide* offer (within the meaning of Rule 164(h)(2) under the Securities Act) of the Shares and at the date hereof, the Company was not and is not an "ineligible issuer," as defined in Rule 405 under the Securities Act.

(vv) *No Ratings*. There are (and prior to the Closing Date, will be) no debt securities, convertible securities or preferred stock issued or guaranteed by the Company or any of its subsidiaries that are rated by a "nationally recognized statistical rating organization", as such term is defined in Section 3(a)(62) under the Exchange Act.

(ww) *Directed Share Program.* Each SDC Party represents and warrants that (i) the Registration Statement, the Pricing Disclosure Package and the Prospectus, any Preliminary Prospectus and any Issuer Free Writing Prospectuses comply in all material respects, and any further amendments or supplements thereto will comply in all material respects, with any applicable laws or regulations of foreign jurisdictions in which the Pricing Disclosure Package, the Prospectus, any Preliminary Prospectus and any Issuer Free Writing Prospectus, as amended or supplemented, if applicable, are distributed in connection with the Directed Share Program, and that (ii) no authorization, approval,

consent, license, order, registration or qualification of or with any government, governmental instrumentality or court, other than such as have been obtained, is necessary under the securities laws and regulations of foreign jurisdictions in which the Directed Shares are offered outside the United States. The Company has not offered, or caused the underwriters to offer, Shares to any person pursuant to the Directed Share Program with the specific intent to unlawfully influence (i) a customer or supplier of any SDC Party to alter the customer or supplier's level or type of business with such SDC Party, or (ii) a trade journalist or publication to write or publish favorable information about any SDC Party or its products.

4. Further Agreements of the Company. The Company covenants and agrees with each Underwriter that:

(a) *Required Filings.* The Company will file the final Prospectus with the Commission within the time periods specified by Rule 424(b) and Rule 430A, 430B or 430C under the Securities Act, will file any Issuer Free Writing Prospectus to the extent required by Rule 433 under the Securities Act; and the Company will furnish copies of the Prospectus and each Issuer Free Writing Prospectus (to the extent not previously delivered) to the Underwriters in New York City prior to 10:00 A.M., New York City time, on the business day next succeeding the date of this Agreement (or such later time as may be agreed by the Company and the Representatives) in such quantities as the Representatives may reasonably request.

(b) *Delivery of Copies.* The Company will deliver, if requested, without charge, (i) to each Underwriter (A) a conformed copy of the Registration Statement as originally filed and each amendment thereto (including exhibits) and (B) during the Prospectus Delivery Period (as defined below), as many copies of the Prospectus (including all amendments and supplements thereto and each Issuer Free Writing Prospectus) as the Representatives may reasonably request. As used herein, the term "Prospectus Delivery Period" means such period of time after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters a prospectus relating to the Shares is required by law to be delivered (or required to be delivered but for Rule 172 under the Securities Act) in connection with sales of the Shares by any Underwriter or dealer; provided the Company will be deemed to have delivered such documents to the extent it is filed on the Commission's Electronic Data Gathering, Analysis and Retrieval System ("EDGAR").

(c) *Amendments or Supplements, Issuer Free Writing Prospectuses.* Before making, preparing, using, authorizing, approving, referring to or filing any Issuer Free Writing Prospectus, and before filing any amendment or supplement to the Registration Statement, the Pricing Disclosure Package or the Prospectus, the Company will furnish to the Representatives and counsel for the Underwriters a copy of the proposed Issuer Free Writing Prospectus, amendment or supplement for review and will not make, prepare, use, authorize, approve, refer to or file any such Issuer Free Writing Prospectus or file any such proposed amendment or supplement to which the Representatives reasonably object in a timely manner.

(d) *Notice to the Representatives.* The Company will advise the Representatives promptly, and confirm in writing (which may be by electronic mail), (i) when the Registration Statement has become effective; (ii) when any amendment to the Registration Statement has been filed or becomes effective; (iii) when any supplement to the Pricing Disclosure Package, the Prospectus, or any Issuer Free Writing Prospectus or any Written Testing-the-Waters Communication or any amendment to the Prospectus has been filed or distributed; (iv) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or the receipt of any comments from the Commission relating to the Registration Statement or any other request by the Commission for any additional information including, but not limited to, any request for information concerning any Testing-the-Waters Communication; (v) of the issuance by the Commission or any other governmental or regulatory authority of any order suspending the effectiveness of the Registration Statement or preventing or suspending the use of any Preliminary Prospectus, any of the Pricing Disclosure Package, or the Prospectus or any Written Testing-the-Waters Communication or the initiation or, to the knowledge of the Company, threatening of any proceeding for that purpose or pursuant to Section 8A of the Securities Act; (vi) of the occurrence of any event or development within the Prospectus Delivery Period as a result of which the Prospectus, any of the Pricing Disclosure Package, or any Issuer Free Writing Prospectus or any Written Testing-the-Waters Communication as then amended or supplemented would include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing when the Prospectus, the Pricing Disclosure Package, or any such Issuer Free Writing Prospectus or any Written Testing-the-Waters Communication is delivered to a purchaser, not misleading; and (vii) of the receipt by the Company of any notice with respect to any suspension of the qualification of the Shares for offer and sale in any jurisdiction or the initiation or, to the knowledge of the Company, threatening of any proceeding for such purpose; and the Company will use its reasonable best efforts to prevent the issuance of any such order suspending the effectiveness of the Registration Statement, preventing or suspending the use of any Preliminary Prospectus, any of the Pricing Disclosure Package or the Prospectus or any Written Testing-the-Waters Communication or suspending any such qualification of the Shares and, if any such order is issued, will use reasonable best efforts to obtain as soon as possible the withdrawal thereof.

(e) *Ongoing Compliance.* (1) If during the Prospectus Delivery Period (i) any event or development shall occur or condition shall exist as a result of which the Prospectus as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances existing when the Prospectus is delivered to a purchaser, not misleading or (ii) it is necessary to amend or supplement the Prospectus to comply with law, the Company will promptly notify the Underwriters thereof and forthwith prepare and, subject to paragraph (c) above, file with the Commission and furnish to the Underwriters and to such dealers as the Representatives may designate such amendments or supplements to the Prospectus as may be necessary so that the statements in the Prospectus as so amended or supplemented will not, in the light of the

circumstances existing when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus will comply with law and (2) if at any time prior to the Closing Date (i) any event or development shall occur or condition shall exist as a result of which the Pricing Disclosure Package as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances existing when the Pricing Disclosure Package is delivered to a purchaser, not misleading or (ii) it is necessary to amend or supplement the Pricing Disclosure Package to comply with law, the Company will promptly notify the Underwriters thereof and forthwith prepare and, subject to paragraph (c) above, file with the Commission (to the extent required) and furnish to the Underwriters and to such dealers as the Representatives may designate such amendments or supplements to the Pricing Disclosure Package as may be necessary so that the statements in the Pricing Disclosure Package as so amended or supplemented will not, in the light of the circumstances existing when the Pricing Disclosure Package is delivered to a purchaser, be misleading or so that the Pricing Disclosure Package will comply with law.

(f) *Blue Sky Compliance.* The Company will qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Representatives shall reasonably request and will continue such qualifications in effect so long as required for distribution of the Shares; provided that the Company shall not be required to (i) qualify as a foreign corporation or other entity or as a dealer in securities in any such jurisdiction where it would not otherwise be required to so qualify, (ii) file any general consent to service of process in any such jurisdiction or (iii) subject itself to taxation in any such jurisdiction if it is not otherwise so subject.

(g) *Earning Statement.* The Company will make generally available to its security holders and the Representatives as soon as practicable an earning statement that satisfies the provisions of Section 11(a) of the Securities Act and Rule 158 of the Commission promulgated thereunder covering a period of at least twelve months beginning with the first fiscal quarter of the Company occurring after the “effective date” (as defined in Rule 158) of the Registration Statement; provided the Company will be deemed to have furnished such statement to security holders and the Representatives to the extent it is filed on EDGAR.

(h) *Clear Market.* For a period of 180 days after the date of the Prospectus, the Company will not (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, or submit to, lend or file with, the Commission a registration statement under the Securities Act relating to, any shares of Stock or any securities convertible into or exercisable or exchangeable for Stock, or publicly disclose the intention to make any offer, sale, pledge, disposition, submission or filing, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Stock or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Stock or such other securities, in cash or otherwise, without

the prior written consent of J.P. Morgan Securities LLC, other than the Shares to be sold hereunder and any shares of Stock of the Company issued upon the exercise of options granted under Company Stock Plans.

If J.P. Morgan Securities LLC, in its sole discretion, agrees to release or waive the restrictions set forth in a lock-up letter described in Section 6(l) hereof for an officer or director of the Company and provides the Company with notice of the impending release or waiver substantially in the form of Exhibit B hereto at least three business days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Exhibit C hereto through a major news service or through other means permitted by FINRA at least two business days before the effective date of the release or waiver, if required by FINRA Rule 5131.

(i) *Use of Proceeds.* The Company will apply the net proceeds from the sale of the Shares as described in each of the Registration Statement, the Pricing Disclosure Package and the Prospectus under the heading "Use of proceeds".

(j) *No Stabilization.* Neither the Company nor its subsidiaries or affiliates will take, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in any stabilization or manipulation of the price of the Stock.

(k) *Exchange Listing.* The Company will use its reasonable best efforts to list for quotation the Shares on the Nasdaq Global Select Market (the "Nasdaq Market").

(l) *Reports.* So long as the Shares are outstanding, the Company will furnish to the Representatives, as soon as they are available, copies of all reports or other communications (financial or other) furnished to holders of the Shares, and copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange or automatic quotation system; provided the Company will be deemed to have furnished such reports and financial statements to the Representatives to the extent they are filed on EDGAR.

(m) *Record Retention*. The Company will, pursuant to reasonable procedures developed in good faith, retain copies of each Issuer Free Writing Prospectus that is not filed with the Commission in accordance with Rule 433 under the Securities Act.

(n) *Filings.* The Company will file with the Commission such reports as may be required by Rule 463 under the Securities Act.

(o) *Directed Share Program.* The Company will comply with all applicable securities and other laws, rules and regulations in each jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

(p) *Emerging Growth Company*. The Company will promptly notify the Representative if the Company ceases to be an Emerging Growth Company at any time prior to the later of (i) completion of the distribution of Shares within the meaning of the

Securities Act and (ii) completion of the 180-day restricted period referred to in Section 4(h) hereof.

5. Certain Agreements of the Underwriters. Each Underwriter hereby severally represents and agrees that:

(a) It has not and will not use, authorize use of, refer to or participate in the planning for use of, any "free writing prospectus", as defined in Rule 405 under the Securities Act (which term includes use of any written information furnished to the Commission by the Company and not incorporated by reference into the Registration Statement and any press release issued by the Company) other than (i) a free writing prospectus that contains no "issuer information" (as defined in Rule 433(h)(2) under the Securities Act) that was not included (including through incorporation by reference) in the Preliminary Prospectus or a previously filed Issuer Free Writing Prospectus, (ii) any Issuer Free Writing Prospectus listed on Annex A or prepared pursuant to Section 3(c) or Section 4(c) above (including any electronic road show approved in advance by the Company), or (iii) any free writing prospectus prepared by such underwriter and approved by the Company in advance in writing (each such free writing prospectus referred to in clauses (i) or (iii), an "Underwriter Free Writing Prospectus").

(b) It has not and will not, without the prior written consent of the Company, use any free writing prospectus that contains the final terms of the Shares unless such terms have previously been included in a free writing prospectus filed with the Commission; *provided* that Underwriters may use a term sheet substantially in the form of Annex C hereto without the consent of the Company; *provided further* that any Underwriter using such term sheet shall notify the Company, and provide a copy of such term sheet to the Company, prior to, or substantially concurrently with, the first use of such term sheet.

(c) It is not subject to any pending proceeding under Section 8A of the Securities Act with respect to the offering (and will promptly notify the Company if any such proceeding against it is initiated during the Prospectus Delivery Period).

6. Conditions of Underwriters' Obligations. The obligation of each Underwriter to purchase the Underwritten Shares on the Closing Date or the Option Shares on the Additional Closing Date, as the case may be, as provided herein is subject to the performance by the Company of its covenants and other obligations hereunder and to the following additional conditions:

(a) *Registration Compliance; No Stop Order.* No order suspending the effectiveness of the Registration Statement shall be in effect, and no proceeding for such purpose or pursuant to Section 8A under the Securities Act shall be pending before or threatened by the Commission; the Prospectus and each Issuer Free Writing Prospectus shall have been timely filed with the Commission under the Securities Act (in the case of an Issuer Free Writing Prospectus, to the extent required by Rule 433 under the Securities Act) and in accordance with Section 4(a) hereof; and all requests by the Commission for

additional information shall have been complied with to the reasonable satisfaction of the Representatives.

(b) *Representations and Warranties.* The representations and warranties of the Company contained herein shall be true and correct on the date hereof and on and as of the Closing Date or the Additional Closing Date, as the case may be; and the statements of the Company and its officers made in any certificates delivered pursuant to this Agreement shall be true and correct on and as of the Closing Date or the Additional Closing Date, as the case may be.

(c) *No Material Adverse Change.* No event or condition of a type described in Section 3(h) hereof shall have occurred or shall exist, which event or condition is not described in the Pricing Disclosure Package (excluding any amendment or supplement thereto) and the Prospectus (excluding any amendment or supplement thereto) and the effect of which in the judgment of the Representatives makes it impracticable or inadvisable to proceed with the offering, sale or delivery of the Shares on the Closing Date or the Additional Closing Date, as the case may be, on the terms and in the manner contemplated by this Agreement, the Pricing Disclosure Package and the Prospectus.

(d) *Officer's Certificate.* The Representatives shall have received on and as of the Closing Date or the Additional Closing Date, as the case may be, (x) a certificate of the chief financial officer or chief accounting officer of each SDC Party and one additional senior executive officer of each SDC Party who is satisfactory to the Representatives (i) confirming that such officers have carefully reviewed the Registration Statement, the Pricing Disclosure Package and the Prospectus and, to the knowledge of such officers, the representations set forth in Sections 3(b) and 3(d) hereof are true and correct, (ii) confirming that the other representations and warranties of each SDC Party in this Agreement are true and correct and that each SDC Party has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date or the Additional Closing Date, as the case may be, and (iii) to the effect set forth in paragraphs (a), (c) and (d) above.

(e) *Comfort Letters.* (i) On the date of this Agreement and on the Closing Date or the Additional Closing Date, as the case may be, Ernst & Young LLP shall have furnished to the Representatives, at the request of the Company, letters, dated the respective dates of delivery thereof and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives, containing statements and information of the type customarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in each of the Registration Statement, the Pricing Disclosure Package and the Prospectus; provided, that the letter delivered on the Closing Date or the Additional Closing Date, as the case may be, shall use a "cut-off" date no more than two business days prior to such Closing Date or such Additional Closing Date, as the case may be.

[(ii) On the date of this Agreement and on the Closing Date or the Additional Closing Date, as the case may be, each SDC Party shall have furnished to the Representatives a certificate, dated the respective dates of delivery thereof and addressed

to the Underwriters, of its chief financial officer with respect to certain financial data contained in the Pricing Disclosure Package and the Prospectus, providing "management comfort" with respect to such information, in form and substance reasonably satisfactory to the Representatives.]

(f) *Opinion and Negative Assurance Letter of Counsel for the Company.* Skadden, Arps, Meagher & Flom LLP, counsel for the Company, shall have furnished to the Representatives, at the request of the Company, their written opinion and negative assurance letter statement, dated the Closing Date or the Additional Closing Date, as the case may be, and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives, to the effect set forth in Annex D hereto.

(g) *Opinion and Negative Assurance Letter of Counsel for the Underwriters.* The Representatives shall have received on and as of the Closing Date or the Additional Closing Date, as the case may be, an opinion and negative assurance letter, addressed to the Underwriters, of Latham & Watkins LLP, counsel for the Underwriters, with respect to such matters as the Representatives may reasonably request, and such counsel shall have received such documents and information as they may reasonably request to enable them to pass upon such matters.

(h) *No Legal Impediment to Issuance and Sale.* No action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any federal, state or foreign governmental or regulatory authority that would, as of the Closing Date or the Additional Closing Date, as the case may be, prevent the issuance or sale of the Shares; and no injunction or order of any federal, state or foreign court shall have been issued that would, as of the Closing Date or the Additional Closing Date, as the case may be, prevent the issuance or sale of the Shares.

(i) *Good Standing.* The Representatives shall have received on and as of the Closing Date or the Additional Closing Date, as the case may be, satisfactory evidence of the good standing of the Company and SDC LLC and their subsidiaries in their respective jurisdictions of organization, in each case in writing or any standard form of telecommunication from the appropriate governmental authorities of such jurisdictions.

(j) *Exchange Listing.* The Shares to be delivered on the Closing Date or the Additional Closing Date, as the case may be, shall have been approved for listing on the Nasdaq Global Select Market, subject to official notice of issuance.

(k) *Lock-up Agreements*. The "lock-up" agreements, each substantially in the form of Exhibit D hereto, between you and certain shareholders, officers and directors of the SDC Parties relating to sales and certain other dispositions of shares of Stock or

certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date or the Additional Closing Date, as the case may be.

(l) *Additional Documents.* On or prior to the Closing Date or the Additional Closing Date, as the case may be, the SDC Parties shall have furnished to the Representatives such further certificates and documents as the Representatives may reasonably request.

All opinions, letters, certificates and evidence mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Underwriters.

7. Indemnification and Contribution.

(a) *Indemnification of the Underwriters by the Company.* Each SDC Party agrees, jointly and severally, to indemnify and hold harmless each Underwriter, its affiliates, directors and officers and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, reasonable and documented out-of-pocket legal fees and other expenses incurred in connection with any suit, action or proceeding or any claim asserted, as such fees and expenses are incurred), joint or several, that arise out of, or are based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (or any amendment or supplement thereto), any Preliminary Prospectus, any Issuer Free Writing Prospectus, any "issuer information" filed or required to be filed pursuant to Rule 433(d) under the Securities Act, any Written Testing-the-Waters Communication, any road show as defined in Rule 433(h) under the Securities Act (a "road show") or any Pricing Disclosure Package (including any Pricing Disclosure Package that has subsequently been amended), or caused by any omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, in each case except insofar as such losses, claims, damages or liabilities arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in paragraph (b) below.

(b) *Indemnification of the SDC Parties.* Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless each SDC Party, the directors of the Company, the officers who signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the indemnity set forth in paragraph (a) above, but only with respect to any losses, claims, damages or liabilities that arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in

conformity with any information relating to such Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in the Registration Statement, the Prospectus (or any amendment or supplement thereto), any Preliminary Prospectus, any Issuer Free Writing Prospectus, any Written Testing-the-Waters Communication, any road show or any Pricing Disclosure Package (including any Pricing Disclosure Package that has subsequently been amended), it being understood and agreed upon that the only such information furnished by any Underwriter consists of the following information in the Prospectus furnished on behalf of each Underwriter: the concession and reallowance figures appearing in the third paragraph and the information in the eleventh paragraph under the caption "Underwriting (Conflicts of Interest)".

(c) *Notice and Procedures.* If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any person in respect of which indemnification may be sought pursuant to the preceding paragraphs of this Section 7, such person (the "Indemnified Person") shall promptly notify the person against whom such indemnification may be sought (the "Indemnifying Person") in writing; provided that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have under the preceding paragraphs of this Section 7 except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided, further, that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have to an Indemnified Person otherwise than under the preceding paragraphs of this Section 7. If any such proceeding shall be brought or asserted against an Indemnified Person and it shall have notified the Indemnifying Person thereof, the Indemnifying Person shall retain counsel reasonably satisfactory to the Indemnified Person (who shall not, without the consent of the Indemnified Person, be counsel to the Indemnifying Person) to represent the Indemnified Person and any others entitled to indemnification pursuant to this Section that the Indemnifying Person may designate in such proceeding and shall pay the reasonable and documented out-of-pocket fees and expenses in such proceeding and shall pay the reasonable and documented out-of-pocket fees and expenses of such counsel related to such proceeding, as incurred. In any such proceeding, any Indemnified Person shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) the Indemnifying Person and the Indemnified Person shall have mutually agreed to the contrary; (ii) the Indemnifying Person has failed within a reasonable time to retain counsel reasonably satisfactory to the Indemnified Person; (iii) the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the Indemnifying Person; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the Indemnifying Person and the Indemnified Person and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood and agreed that the Indemnifying Person shall not, in connection with any proceeding or related proceeding in the same jurisdiction, be liable for the reasonable and documented out-of-pocket fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Persons, and that all such reasonable and documented out-of-pocket fees and expenses shall be paid or reimbursed as they are incurred. Any such separate firm for any Underwriter, its affiliates, directors and officers and any control persons of such Underwriter shall be designated in writing by the Representatives and any such separate firm for the SDC

Parties, the directors of Company, the officers of the Company who signed the Registration Statement and any control persons of the Company shall be designated in writing by the Company. The Indemnifying Person shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent, the Indemnifying Person agrees to indemnify each Indemnified Person from and against any loss or liability by reason of such settlement. Notwithstanding the foregoing sentence, if at any time an Indemnified Person shall have requested that an Indemnifying Person reimburse the Indemnified Person for reasonable and documented out-of-pocket fees and expenses of counsel as contemplated by this paragraph, the Indemnifying Person shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by the Indemnifying Person of such request and (ii) the Indemnifying Person shall not have reimbursed the Indemnified Person in accordance with such request prior to the date of such settlement unless such amounts are being contested in good faith. No Indemnifying Person shall, without the written consent of the Indemnified Person, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is or could have been a party and indemnification could have been sought hereunder by such Indemnified Person, unless such settlement (x) includes an unconditional release of such Indemnified Person, in form and substance reasonably satisfactory to such Indemnified Person, from all liability on claims that are the subject matter of such proceeding and (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any Indemnified Person.

(d) *Contribution.* If the indemnification provided for in paragraphs (a) or (b) above is unavailable to an Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Person under such paragraph, in lieu of indemnifying such Indemnified Person thereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the SDC Parties, on the one hand, and the Underwriters on the other, from the offering of the Shares or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the SDC Parties, on the one hand, and the Underwriters on the other, in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the SDC Parties, on the one hand, and the Underwriters on the other, shall be deemed to be in the same respective proportions as the net proceeds (before deducting expenses) received by the SDC Parties from the sale of the Shares and the total underwriting discounts and commissions received by the Underwriters in connection therewith, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate offering price of the Shares. The relative fault of the SDC Parties, on the one hand, and the Underwriters on the other, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the SDC Parties or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) *Limitation on Liability.* The SDC Parties and the Underwriters agree that it would not be just and equitable if contribution pursuant to paragraph (d) above were determined by pro

rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an Indemnified Person as a result of the losses, claims, damages and liabilities referred to in paragraph (d) above shall be deemed to include, subject to the limitations set forth above, any reasonable and documented out-of-pocket legal or other expenses incurred by such Indemnified Person in connection with any such action or claim. Notwithstanding the provisions of paragraphs (d) and (e), in no event shall an Underwriter be required to contribute any amount in excess of the amount by which the total underwriting discounts and commissions received by such Underwriter with respect to the offering of the Shares exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to paragraphs (d) and (e) are several in proportion to their respective purchase obligations hereunder and not joint.

(f) *Non-Exclusive Remedies.* The remedies provided for in this Section 7 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Indemnified Person at law or in equity.

(g) *Directed Share Program Indemnification.* Each SDC Party agrees, jointly and severally, to indemnify and hold harmless the Directed Share Underwriter, its affiliates, directors and officers and each person, if any, who controls the Directed Share Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act (each a "Directed Share Underwriter Entity") from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal fees and other expenses incurred in connection with defending or investigating any suit, action or proceeding or any claim asserted, as such fees and expenses are incurred) (i) caused by any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the consent of the Company for distribution to Participants in connection with the Directed Share Program or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (ii) caused by the failure of any Participant to pay for and accept delivery of Directed Shares that the Participant agreed to purchase; or (iii) related to, arising out of, or in connection with the Directed Share Program, other than losses, claims, damages or liabilities (or expenses relating thereto) that are finally judicially determined to have resulted from the bad faith or gross negligence of the Directed Share Underwriter Entities.

(h) In case any proceeding (including any governmental investigation) shall be instituted involving any Directed Share Underwriter Entity in respect of which indemnity may be sought pursuant to paragraph (g) above, the Directed Share Underwriter Entity seeking indemnity shall promptly notify the SDC Parties in writing and the SDC Parties, upon request of the Directed Share Underwriter Entity, shall retain counsel reasonably satisfactory to the Directed Share Underwriter Entity to represent the Directed Share Underwriter Entity and any others the SDC Parties may designate in such proceeding and shall pay the reasonable fees and

disbursements of such counsel related to such proceeding. In any such proceeding, any Directed Share Underwriter Entity shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Directed Share Underwriter Entity unless (i) the SDC Parties and such Directed Share Underwriter Entity shall have mutually agreed to the retention of such counsel, (ii) SDC Parties have failed within a reasonable time to retain counsel reasonably satisfactory to such Directed Share Underwriter Entity, (iii) the Directed Share Underwriter Entity shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to any SDC Party or (iv) the named parties to any such proceeding (including any impleaded parties) include both any SDC Party and the Directed Share Underwriter Entity and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. The SDC Parties shall not, in respect of the legal expenses of the Directed Share Underwriter Entities in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Directed Share Underwriter Entities. The SDC Parties shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent, each SDC Party agrees to indemnify the Directed Share Underwriter Entities from and against any loss or liability by reason of such settlement. Notwithstanding the foregoing sentence, if at any time any Directed Share Underwriter Entity shall have requested the SDC Parties to reimburse such Directed Share Underwriter Entity for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the SDC Parties shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by the Company of the aforesaid request and (ii) the SDC Parties shall not have reimbursed such Directed Share Underwriter Entity in accordance with such request prior to the date of such settlement. No SDC Party shall, without the prior written consent of the Directed Share Underwriter, effect any settlement of any pending or threatened proceeding in respect of which any Directed Share Underwriter Entity is or could have been a party and indemnity could have been sought hereunder by such Directed Share Underwriter Entity, unless (x) such settlement includes an unconditional release of the Directed Share Underwriter Entities from all liability on claims that are the subject matter of such proceeding and (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of the Directed Share Underwriter Entity.

(i) To the extent the indemnification provided for in paragraph (g) above is unavailable to a Directed Share Underwriter Entity or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then the SDC Parties in lieu of indemnifying the Directed Share Underwriter Entity thereunder, shall contribute to the amount paid or payable by the Directed Share Underwriter Entity as a result of such losses, claims, damages or liabilities (1) in such proportion as is appropriate to reflect the relative benefits received by the SDC Parties on the one hand and the Directed Share Underwriter Entities on the other hand from the offering of the Directed Shares or (2) if the allocation provided by clause 7(i)(1) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 7(i)(1) above but also the relative fault of the SDC Parties on the one hand and of the Directed Share Underwriter Entities on the other hand in connection with any statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the SDC Parties on the

one hand and the Directed Share Underwriter Entities on the other hand in connection with the offering of the Directed Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Directed Shares (before deducting expenses) and the total underwriting discounts and commissions received by the Directed Share Underwriter Entities for the Directed Shares, bear to the aggregate public offering price of the Directed Shares. If the loss, claim, damage or liability is caused by an untrue or alleged untrue statement of material fact or the omission or alleged omission to state a material fact, the relative fault of the SDC Parties on the one hand and the Directed Share Underwriter Entities on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement or the omission or alleged omission relates to information supplied by the any SDC Party or by the Directed Share Underwriter Entities and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(j) The SDC Parties and the Directed Share Underwriter Entities agree that it would be not just or equitable if contribution pursuant to paragraph (i) above were determined by pro rata allocation (even if the Directed Share Underwriter Entities were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (i) above. The amount paid or payable by the Directed Share Underwriter Entities as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by the Directed Share Underwriter Entities in connection with investigating or defending such any action or claim. Notwithstanding the provisions of paragraph (i) above, no Directed Share Underwriter Entity shall be required to contribute any amount in excess of the amount by which the total price at which the Directed Shares distributed to the public were offered to the public exceeds the amount of any damages that such Directed Share Underwriter Entity has otherwise been required to pay. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in paragraphs (g) through (j) are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(k) The indemnity and contribution provisions contained in paragraphs (g) through (j) shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Directed Share Underwriter Entity or any SDC Party, the officers or directors of the Company or any person controlling the Company and (iii) acceptance of and payment for any of the Directed Shares.]

8. Effectiveness of Agreement. This Agreement shall become effective as of the date first written above.

9. Termination. This Agreement may be terminated in the absolute discretion of the Representatives, by notice to the Company, if after the execution and delivery of this Agreement and on or prior to the Closing Date or, in the case of the Option Shares, prior to the Additional Closing Date (i) trading generally shall have been suspended or materially limited on or by any of the New York Stock Exchange or The Nasdaq Stock Market; (ii) trading of any securities

issued or guaranteed by the Company shall have been suspended on any exchange or in any over-the-counter market; (iii) a general moratorium on commercial banking activities shall have been declared by federal or New York State authorities; or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis, either within or outside the United States, that, in the judgment of the Representatives, is material and adverse and makes it impracticable or inadvisable to proceed with the offering, sale or delivery of the Shares on the Closing Date or the Additional Closing Date, as the case may be, on the terms and in the manner contemplated by this Agreement, the Pricing Disclosure Package and the Prospectus.

10. Defaulting Underwriter.

(a) If, on the Closing Date or the Additional Closing Date, as the case may be, any Underwriter defaults on its obligation to purchase the Shares that it has agreed to purchase hereunder on such date, the non-defaulting Underwriters may in their discretion arrange for the purchase of such Shares by other persons satisfactory to the Company on the terms contained in this Agreement. If, within 36 hours after any such default by any Underwriter, the non-defaulting Underwriters do not arrange for the purchase of such Shares, then the Company shall be entitled to a further period of 36 hours within which to procure other persons satisfactory to the non-defaulting Underwriters to purchase such Shares on such terms. If other persons become obligated or agree to purchase the Shares of a defaulting Underwriter, either the non-defaulting Underwriters or the Company may postpone the Closing Date or the Additional Closing Date, as the case may be, for up to five full business days in order to effect any changes that in the opinion of counsel for the Company or counsel for the Underwriters may be necessary in the Registration Statement and the Prospectus or in any other document or arrangement, and the Company agrees to promptly prepare any amendment or supplement to the Registration Statement and the Prospectus that effects any such changes. As used in this Agreement, the term "Underwriter" includes, for all purposes of this Agreement unless the context otherwise requires, any person not listed in Schedule 1 hereto that, pursuant to this Section 10, purchases Shares that a defaulting Underwriter agreed but failed to purchase.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the non-defaulting Underwriters and the Company as provided in paragraph (a) above, the aggregate number of Shares that remain unpurchased on the Closing Date or the Additional Closing Date, as the case may be, does not exceed one-eleventh of the aggregate number of Shares to be purchased on such date, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of Shares that such Underwriter agreed to purchase hereunder on such date plus such Underwriter's pro rata share (based on the number of Shares that such Underwriter agreed to purchase on such date) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the non-defaulting Underwriters and the Company as provided in paragraph (a) above, the aggregate number of Shares that remain unpurchased on the Closing Date or the Additional Closing Date, as the case may be, exceeds one-eleventh of the

aggregate amount of Shares to be purchased on such date, or if the Company shall not exercise the right described in paragraph (b) above, then this Agreement or, with respect to any Additional Closing Date, the obligation of the Underwriters to purchase Shares on the Additional Closing Date, as the case may be, shall terminate without liability on the part of the non-defaulting Underwriters. Any termination of this Agreement pursuant to this Section 10 shall be without liability on the part of the SDC Parties, except that each SDC Party will continue to be jointly and severally liable for the payment of expenses as set forth in Section 11 hereof and except that the provisions of Section 7 hereof shall not terminate and shall remain in effect.

(d) Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have to SDC Parties or any non-defaulting Underwriter for damages caused by its default.

11. Payment of Expenses.

(a) Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the SDC Parties will, jointly and severally, pay or cause to be paid all costs and expenses incident to the performance of its obligations hereunder, including without limitation, (i) the costs incident to the authorization, issuance, sale, preparation and delivery of the Shares and any taxes payable in that connection; (ii) the costs incident to the preparation, printing and filing under the Securities Act of the Registration Statement, the Preliminary Prospectus, any Issuer Free Writing Prospectus, any Pricing Disclosure Package and the Prospectus (including all exhibits, amendments and supplements thereto) and the distribution thereof; (iii) the fees and expenses of the Company's counsel and independent accountants; (iv) the reasonable fees and expenses incurred in connection with the registration or qualification and determination of eligibility for investment of the Shares under the laws of such jurisdictions as the Representatives may designate and the preparation, printing and distribution of a Blue Sky Memorandum, if any (including the related fees and expenses of counsel for the Underwriters); (v) the cost of preparing stock certificates; (vi) the costs and charges of any transfer agent and any registrar; (vii) all expenses and application fees incurred in connection with any filing with, and clearance of the offering by, FINRA, provided, however, that the amounts payable by the Company for the fees and disbursements of counsel to the Underwriters pursuant to subsections (iv) and (vii) shall not exceed $30,000 in the aggregate; (viii) all expenses incurred by the Company in connection with any "road show" presentation to potential investors; provided, however that the Company shall only pay 50% of the cost of any aircraft (including Company-owned aircraft; provided that such costs are commensurate with the costs of third-party chartered aircraft) or other transportation chartered in connection therewith (the remaining 50% of the cost of such aircraft or other transportation to be paid by the Underwriters); (ix) all expenses and application fees related to the listing of the Shares on the Nasdaq Market; and (x) all of the fees and disbursements of counsel incurred by the Underwriters in connection with the Directed Share Program and stamp duties, similar taxes or duties or other taxes, if any, incurred by the Underwriters in connection with the Directed Share Program. It is further understood, however, that except as provided in this Section and Section 7 hereof, the underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make and lodging expenses incurred by them in connection with any "road show," as applicable.

(b) If (i) this Agreement is terminated pursuant to Section 9, (ii) the Company for any reason fails to tender the Shares for delivery to the Underwriters (other than those set forth in clauses (i), (iii) or (iv) of Section 9) or (iii) the Underwriters decline to purchase the Shares for any reason permitted under this Agreement, each SDC Party agrees, jointly and severally, to reimburse the Underwriters for all reasonable and documented out-of-pocket costs and expenses (including the reasonable and documented fees and expenses of their counsel) reasonably incurred by the Underwriters in connection with this Agreement and the offering contemplated hereby. For the avoidance of doubt, it is understood that the SDC Parties will not pay or reimburse any costs, fees or expenses incurred by any Underwriter that defaults on its obligation to purchase Shares hereunder.

12. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and any controlling persons referred to herein, and the affiliates of each Underwriter referred to in Section 7 hereof. Nothing in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein. No purchaser of Shares from any Underwriter shall be deemed to be a successor merely by reason of such purchase.

13. Survival. The respective indemnities, rights of contribution, representations, warranties and agreements of the SDC Parties and the Underwriters contained in this Agreement or made by or on behalf of the SDC Parties or the Underwriters pursuant to this Agreement or any certificate delivered pursuant hereto shall survive the delivery of and payment for the Shares and shall remain in full force and effect, regardless of any termination of this Agreement or any investigation made by or on behalf of the SDC Parties or the Underwriters or the directors, officers, controlling persons or affiliates referred to in Section 7 hereof.

14. Certain Defined Terms. For purposes of this Agreement, (a) except where otherwise expressly provided, the term “affiliate” has the meaning set forth in Rule 405 under the Securities Act; (b) the term “business day” means any day other than a day on which banks are permitted or required to be closed in New York City; and (c) the term “subsidiary” has the meaning set forth in Rule 405 under the Securities Act and does not include any “Managed Entity.”

15. Compliance with USA Patriot Act. In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients.

16. Miscellaneous.

(a) *Notices.* All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted and confirmed by any standard form of telecommunication. Notices to the Underwriters shall be given to the Representatives c/o J.P. Morgan Securities LLC, 383 Madison Avenue, New York, New York 10179 (fax: (212)

622-8358); Attention Equity Syndicate Desk and c/o Citigroup Global Markets Inc., 388 Greenwich Street, New York, New York 10013 (fax: (646) 291-1469); Attention General Counsel. Notices to the Company shall be given to it at SmileDirectClub, Inc., 414 Union St, 8th Floor, Nashville, TN 37219, (susan.greenspon@smiledirectclub.com); Attention: Susan Greenspon Rammelt, General Counsel.

(b) *Governing Law.* This Agreement and any claim, controversy or dispute arising under or related to this Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(c) *Submission to Jurisdiction*. Each of the SDC Parties hereby submits to the exclusive jurisdiction of the U.S. federal and New York state courts in the Borough of Manhattan in The City of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. Each of the SDC Parties waives any objection which it may now or hereafter have to the laying of venue of any such suit or proceeding in such courts. Each of the SDC Parties agrees that final judgment in any such suit, action or proceeding brought in such court shall be conclusive and binding upon the SDC Parties, as applicable, and may be enforced in any court to the jurisdiction of which each of the SDC Parties, as applicable, is subject by a suit upon such judgment.

(d) *Waiver of Jury Trial.* Each of the parties hereto hereby waives any right to trial by jury in any suit or proceeding arising out of or relating to this Agreement.

(e) Recognition of the U.S. Special Resolution Regimes.

(i) In the event that any Underwriter that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from such Underwriter of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(ii) In the event that any Underwriter that is a Covered Entity or a BHC Act Affiliate of such Underwriter becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement that may be exercised against such Underwriter are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.

As used in this Section 16(g):

"BHC Act Affiliate" has the meaning assigned to the term "affiliate" in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k).

"Covered Entity" means any of the following:

(i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);

(ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or

(iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“U.S. Special Resolution Regime” means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

(f) *Counterparts.* This Agreement may be signed in counterparts (which may include counterparts delivered by any standard form of telecommunication), each of which shall be an original and all of which together shall constitute one and the same instrument.

(g) *Amendments or Waivers.* No amendment or waiver of any provision of this Agreement, nor any consent or approval to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by the parties hereto.

(h) *Headings.* The headings herein are included for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

If the foregoing is in accordance with your understanding, please indicate your acceptance of this Agreement by signing in the space provided below.

Very truly yours,

SmileDirectClub, Inc.

By: _____
Name:
Title:

SDC Financial LLC

By: _____
Name:
Title:

Accepted: As of the date first written above

J.P. MORGAN SECURITIES LLC
CITIGROUP GLOBAL MARKETS INC.

Acting severally for themselves and on behalf of the
several Underwriters listed in Schedule 1 hereto.

J.P. MORGAN SECURITIES LLC

By: _____
Authorized Signatory

CITIGROUP GLOBAL MARKETS INC.

By: _____
Authorized Signatory

Schedule 1

Underwriter	Number of Shares
J.P. Morgan Securities LLC	[·]
Citigroup Global Markets Inc.	[·]
BofA Securities, Inc.	[·]
Jefferies LLC	[·]
UBS Securities LLC	[·]
Credit Suisse Securities (USA) LLC	[·]
Guggenheim Securities, LLC	[·]
Stifel, Nicolaus & Company, Incorporated	[·]
William Blair & Company, L.L.C.	[·]
Loop Capital Markets LLC	[·]
Total	[·]

Significant Subsidiaries

1. SmileDirectClub, LLC

1. **Free Writing Prospectuses**

   [·]

2. **Pricing Information Provided Orally by Underwriters**

   Public offering price per Share: $[·]

   Number of Underwritten Shares: [·]

   Number of Option Shares: [·]

Written Testing-the-Waters Communications

1. [·]

SmileDirectClub, Inc.

Pricing Term Sheet

[If Applicable]

Annex C-1

[Form of Opinion of Counsel for the Company]

EGC — Testing the waters authorization (to be delivered by the issuer to J.P. Morgan in email or letter form)

In reliance on Section 5(d) of the Securities Act of 1933, as amended (the "Act"), SmileDirectClub, Inc. (the "Issuer") hereby authorizes J.P. Morgan Securities LLC ("J.P. Morgan"), [·] and [·] (the "Authorized Underwriters") and each of their affiliates and respective employees, to engage on behalf of the Issuer in oral and written communications with potential investors that are "qualified institutional buyers", as defined in Rule 144A under the Act, or institutions that are "accredited investors", as defined in Regulation D under the Act, to determine whether such investors might have an interest in the Issuer's contemplated initial public offering ("Testing-the-Waters Communications"). A "Written Testing-the Waters Communication" means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Act.

The Issuer represents that it is an "emerging growth company" as defined in Section 2(a)(19) of the Act ("Emerging Growth Company") and agrees to promptly notify [J.P. Morgan] [the Authorized Underwriters] in writing if the Issuer hereafter ceases to be an Emerging Growth Company while this authorization is in effect. If at any time following the distribution of any Written Testing-the-Waters Communication there occurs an event or development as a result of which such Written Testing-the-Waters Communication included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Issuer will promptly notify [J.P. Morgan] [the Authorized Underwriters] and will promptly amend or supplement, at its own expense, such Written Testing-the-Waters Communication to eliminate or correct such untrue statement or omission.

Nothing in this authorization is intended to limit or otherwise affect the ability of [J.P. Morgan] [the Authorized Underwriters] and their affiliates and respective employees, to engage in communications in which they could otherwise lawfully engage in the absence of this authorization, including, without limitation, any written communication containing only one or more of the statements specified under Rule 134(a) under the Act. This authorization shall remain in effect until the Issuer has provided to [J.P. Morgan] [the Authorized Underwriters] a written notice revoking this authorization. All notices as described herein shall be sent by email to the attention of [Gregor C. Feige at gregor.c.feige@jpmorgan.com](4) and Christopher T. Grose at christopher.t.grose@jpmorgan.com, with copies to [·] at [·][,[·] at [·], with copies to [·] at [·] and [·] at [·], with copies to [·] at [·]].

[Form of Waiver of Lock-up]

J.P. MORGAN SECURITIES LLC

SmileDirectClub, Inc.
Public Offering of Common Stock

, 2019

[Name and Address of
Officer or Director
Requesting Waiver]

Dear Mr./Ms. [Name]:

This letter is being delivered to you in connection with the offering by SmileDirectClub, Inc. (the "Company") of shares of Class A common stock, $0.0001 par value (the "Common Stock"), of the Company and the lock-up letter dated , 2019 (the "Lock-up Letter"), executed by you in connection with such offering, and your request for a [waiver] [release] dated , 2019, with respect to shares of Common Stock (the "Shares").

J.P. Morgan Securities LLC hereby agrees to [waive] [release] the transfer restrictions set forth in the Lock-up Letter, but only with respect to the Shares, effective , 2019; provided, however, that such [waiver] [release] is conditioned on the Company announcing the impending [waiver] [release] by press release through a major news service at least two business days before effectiveness of such [waiver] [release]. This letter will serve as notice to the Company of the impending [waiver] [release].

Except as expressly [waived] [released] hereby, the Lock-up Letter shall remain in full force and effect.

Yours very truly,

[Signature of J.P. Morgan Securities LLC Representative]

[Name of J.P. Morgan Securities LLC Representative]

cc: Company

[Form of Press Release]

SmileDirectClub, Inc.
[Date]

SmileDirectClub, Inc. (the "Company") announced today that J.P. Morgan Securities LLC, the lead book-running manager in the Company's recent public sale of shares of Class A common stock, is [waiving] [releasing] a lock-up restriction with respect to shares of the Company's Class A common stock held by [certain officers or directors] [an officer or director] of the Company. The [waiver] [release] will take effect on , 2019, and the shares may be sold on or after such date.

This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.

FORM OF LOCK-UP AGREEMENT

September [·], 2019

J.P. MORGAN SECURITIES LLC
CITIGROUP GLOBAL MARKETS INC.
As Representatives of
the several Underwriters listed in
Schedule 1 to the Underwriting
Agreement referred to below

c/o J.P. Morgan Securities LLC
383 Madison Avenue
New York, NY 10179

c/o Citigroup Global Markets Inc.
388 Greenwich Street
New York, NY 10013

Re: SmileDirectClub, Inc.—Public Offering

Ladies and Gentlemen:

The undersigned understands that you, as Representatives of the several Underwriters, propose to enter into an underwriting agreement (the "Underwriting Agreement") with SmileDirectClub, Inc., a Delaware corporation (the "Company"), providing for the public offering (the "Public Offering") by us/the several Underwriters named in Schedule 1 to the Underwriting Agreement (the "Underwriters"), of Class A common stock, par value $0.0001 per share ("Class A Common Stock" and, together with the Class B common stock, par value $0.0001 per share, "Common Stock"), of the company. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Underwriting Agreement.

In consideration of the Underwriters' agreement to purchase and make the Public Offering of the Securities, and for other good and valuable consideration receipt of which is hereby acknowledged, the undersigned hereby agrees that, without the prior written consent of J.P. Morgan Securities LLC on behalf of the Underwriters, the undersigned will not, during the period beginning on the date of this letter agreement (this "Letter Agreement") and continuing to and including the date ending 180 days after the date of the final prospectus relating to the Public Offering (such period, the "Restricted Period"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of Class A Common Stock or any securities convertible into or exercisable or exchangeable for Class A Common Stock (including without limitation, Class B Common Stock, limited liability company interests in SDC Financial LLC (the "SDC Interests") or such other securities which may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations

of the Securities and Exchange Commission and securities which may be issued upon exercise of an option or warrant to purchase Common Stock or SDC Interests), or publicly disclose the intention to make any offer, sale, pledge or disposition, (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of any shares of Common Stock, SDC Interests or such other securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock, SDC Interests or such other securities, in cash or otherwise or (3) make any demand for or exercise any right with respect to the registration of any shares of Common Stock, SDC Interests or any security convertible into or exercisable or exchangeable for Common Stock. The undersigned acknowledges and agrees that the foregoing precludes the undersigned from engaging in any hedging or other transactions designed or intended, or which could reasonably be expected to lead to or result in, a sale or disposition of any shares of Common Stock or SDC Interests, or securities convertible into or exercisable or exchangeable for Common Stock or SDC Interests, even if any such sale or disposition transaction or transactions would be made or executed by or on behalf of someone other than the undersigned.

Notwithstanding the foregoing, the terms of this Letter Agreement shall not apply to or prohibit: (A) transfers of shares of Common Stock, SDC Interests or such other securities as a charitable donation or bona fide gift or gifts; (B) distributions of shares of Common Stock, SDC Interests or such other securities to members, limited partners or stockholders of the undersigned; (C) transfers in connection with the Reorganization Transactions (as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus); (D) transfers by operation of law, including pursuant to a domestic relations order or divorce decree; (E) transfers by will or intestacy; (F) if the undersigned is an investment fund, corporation, partnership, limited liability company or other business entity, transfers to any investment fund, corporation, partnership, limited liability company or other business entity that controls, is controlled by, or is under common control with, the undersigned; (G) if the undersigned is a trust, transfers to a trustor, trustee or beneficiary of the trust or to the estate of a beneficiary of such trust, provided that no transfers will be permitted to any person who is not a beneficiary of such trust as of the date of the Underwriting Agreement; (H) if the undersigned is a natural person, transfers to any immediate family member of the undersigned or any trust for the direct or indirect benefit of the undersigned and/or the immediate family of the undersigned (for purposes of this Letter Agreement, “immediate family member” shall mean any relationship by blood, marriage or adoption, not more remote than first cousin); (I) transfers to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (A) through (H); and (J) transfers of Class A Common Stock acquired in open market transactions after the completion of the Public Offering; provided, that in the case of any transfer or distribution pursuant to clause (A), (B), (D), (E), (F), (G), (H), or (I), (i) such transfer shall not involve a disposition for value, (ii) each donee, transferee or distributee shall execute and deliver to the Representatives a lock-up letter in the form of this Letter Agreement and (iii) no filing by any party (donor, donee, transferor or transferee) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or other public announcement shall be required or shall be made voluntarily in connection with such transfer or distribution (other than a filing on a Form 5 made after the expiration of the Restricted Period referred to above) and that in the case of transfers pursuant to clause (J), no filing by the undersigned under the Exchange Act reporting a reduction in beneficial ownership shall be required or made voluntarily in connection with such transfer. If the undersigned is an officer or director of the Company, the undersigned further agrees that the foregoing provisions

shall be equally applicable to any Company-directed Securities the undersigned may purchase in the Public Offering.

Notwithstanding anything herein to the contrary, nothing herein shall prevent the undersigned from establishing a trading plan that complies with Rule 10b5-1 under the Exchange Act ("10b5-1 Trading Plan"), provided that (i) there are no sales of Common Stock under such 10b5-1 Trading Plan during the Restricted Period, (ii) the establishment of such 10b5-1 Trading Plan is not required to be reported in any public report or filing with the SEC and (iii) the undersigned does not otherwise voluntarily effect any public filing or report or any public announcement regarding the establishment of such 10b5-1 Trading Plan.

If the undersigned is an officer or director of the Company, (i) J.P. Morgan Securities LLC on behalf of the Underwriters agrees that, at least three business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of shares of Common Stock, J.P. Morgan Securities LLC on behalf of the Underwriters will notify the Company of the impending release or waiver, and (ii) the Company has agreed in the Underwriting Agreement to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver. Any release or waiver granted by J.P. Morgan Securities LLC on behalf of the Underwriters hereunder to any such officer or director shall only be effective two business days after the publication date of such press release. The provisions of this paragraph will not apply if (a) the release or waiver is effected solely to permit a transfer not for consideration and (b) the transferee has agreed in writing to be bound by the same terms described in this letter to the extent and for the duration that such terms remain in effect at the time of the transfer.

In furtherance of the foregoing, the Company, and any duly appointed transfer agent for the registration or transfer of the securities described herein, are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this Letter Agreement.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Letter Agreement. All authority herein conferred or agreed to be conferred and any obligations of the undersigned shall be binding upon the successors, assigns, heirs or personal representatives of the undersigned.

The undersigned understands that, if the Underwriting Agreement does not become effective by December 31, 2019, or if the Underwriting Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Common Stock to be sold thereunder, the undersigned shall be released from all obligations under this Letter Agreement. The undersigned understands that the Underwriters are entering into the Underwriting Agreement and proceeding with the Public Offering in reliance upon this Letter Agreement.

This Letter Agreement and any claim, controversy or dispute arising under or related to this Letter Agreement shall be governed by and construed in accordance with the laws of the State of New York.

Very truly yours,

[*NAME OF STOCKHOLDER*]

By: _____

Name:

Title:

Exhibit 3.1

FORM OF

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
SMILEDIRECTCLUB, INC.

Pursuant to Sections 228, 242 and 245 of the
Delaware General Corporation Law

SmileDirectClub, Inc. (the "**Corporation**"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "**DGCL**"), does hereby certify as follows:

1. The name of the Corporation is SmileDirectClub, Inc. The original Certificate of Incorporation of the Corporation was filed with the office of the Secretary of State of the State of Delaware on April 11, 2019.

2. This Amended and Restated Certificate of Incorporation was duly adopted by the Board of Directors (the "**Board of Directors**") and the sole stockholder of the Corporation in accordance with Sections 228, 242 and 245 of the DGCL.

3. This Amended and Restated Certificate of Incorporation restates and integrates and further amends the Certificate of Incorporation of the Corporation, as heretofore amended or supplemented.

4. Effective as of the date of its filing with the Secretary of State of the State of Delaware, the text of the Certificate of Incorporation of the Corporation is hereby amended and restated in its entirety as follows:

ARTICLE I

Section 1.1. **Name**. The name of the Corporation is SmileDirectClub, Inc.

ARTICLE II

Section 2.1. **Address**. The address of the registered office of the Corporation in the State of Delaware is 251 Little Falls Drive, Wilmington, County of New Castle, 19808. The name of its registered agent at that address is Corporation Service Company.

ARTICLE III

Section 3.1. **Purpose**. The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the DGCL.

ARTICLE IV

Section 4.1. **Term**. The Corporation shall have perpetual existence.

ARTICLE V

Section 5.1. **Authorized Capital Stock**. The total number of shares of all classes of stock that the Corporation shall have authority to issue is [·], consisting of (i) [·] shares of Class A Common Stock, par value $0.0001 per share (the "**Class A Common Stock**"); (ii) [·] shares of Class B Common Stock, par value $0.0001 per share (the "**Class B Common Stock**" and, together with the Class A Common Stock, the "**Common Stock**"); and (iii) [·] shares of Preferred Stock, par value $0.0001 per share (the "**Preferred Stock**"). The number of authorized shares of any of the Class A Common Stock, Class B Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of the shares entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), and no vote of the holders of any of the Class A Common Stock, Class B Common Stock or Preferred Stock voting separately as a class shall be required therefor, unless a vote of any such holder is required pursuant to this Amended and Restated Certificate of Incorporation (including any certificate of designation relating to any series of Preferred Stock).

Section 5.2. **Common Stock**. The powers, preferences and rights and the qualifications, limitations and restrictions of the Class A Common Stock and the Class B Common Stock are as follows:

(A) **Voting Rights**. Except as otherwise required by the DGCL or as provided by or pursuant to the provisions of this Amended and Restated Certificate of Incorporation:

(1) Each holder of Class A Common Stock shall be entitled to one (1) vote for each share of Class A Common Stock held of record by such holder. The holders of shares of Class A Common Stock shall not have cumulative voting rights.

(2) Until 5:00 p.m. in New York City, New York on the earlier of (i) the ten (10)-year anniversary of the closing of a sale of shares of Class A Common Stock to the public in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "**IPO Date**"), or (ii) the date on which the shares of Class B Common Stock beneficially held by the persons and entities defined as "Stockholders" under that certain Voting Agreement, dated as of September [•], 2019, by and among the Corporation and the Stockholders identified therein (the "**Voting Group**"), represent less than fifteen percent (15%) of the Class B Common Stock held by the Voting Group as of the IPO Date, each holder of Class B Common Stock shall be entitled to ten (10) votes for each share of Class B Common Stock held of record by such holder; thereafter, each holder of Class B Common Stock shall be entitled to one (1) vote for each share of Class B Common Stock held of record by such holder. The holders of shares of Class B Common Stock shall not have cumulative voting rights.

(3) Except as otherwise required in this Amended and Restated Certificate of Incorporation or by applicable law, the holders of Class A Common Stock and Class B Common Stock shall vote together as a single class on all matters on which

stockholders are generally entitled to vote (or, if any holders of Preferred Stock are entitled to vote together with the holders of Common Stock, as a single class with such holders of Preferred Stock).

(4) In addition to any other vote required in this Amended and Restated Certificate of Incorporation or by applicable law, the holders of Class A Common Stock and Class B Common Stock shall each be entitled to vote separately as a class only with respect to amendments to this Amended and Restated Certificate of Incorporation that increase or decrease the par value of the shares of such class or alter or change the powers, preferences or special rights of the shares of such class so as to affect them adversely.

(5) Notwithstanding the foregoing, to the fullest extent permitted by law, holders of Common Stock, as such, shall have no voting power with respect to, and shall not be entitled to vote on, any amendment to this Amended and Restated Certificate of Incorporation (including any certificate of designation relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Amended and Restated Certificate of Incorporation (including any certificate of designation relating to any series of Preferred Stock) or pursuant to the DGCL.

(B) **Dividends and Distributions**. Subject to any other provisions of this Amended and Restated Certificate of Incorporation, holders of shares of Class A Common Stock shall be entitled to receive ratably, in proportion to the number of shares of Class A Common Stock held by them, such dividends and other distributions in cash, stock or property of the Corporation when, as and if declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor. Except as provided in Section 5.2(D), dividends and other distributions shall not be declared or paid on the Class B Common Stock.

(C) **Liquidation, Dissolution or Winding Up**. In the event of any liquidation, dissolution or winding up (either voluntary or involuntary) of the Corporation, after payments to creditors of the Corporation that may at the time be outstanding, and subject to the rights of any holders of Preferred Stock that may then be outstanding, holders of shares of Class A Common Stock shall be entitled to receive ratably, in proportion to the number of shares of Class A Common Stock held by them, all remaining assets and funds of the Corporation available for distribution. The holders of shares of Class B Common Stock, as such, shall not be entitled to receive any assets of the Corporation in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

(D) **Reclassification**. Except as set forth in Section 5.2(G), neither the Class A Common Stock nor the Class B Common Stock may be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the other class of Common Stock and the LLC Units (as defined below) are subdivided, consolidated, reclassified or otherwise changed in the same proportion and in the same manner.

(E) **Exchange**. The holder of each membership interest unit ("**LLC Unit**") of SDC Financial, LLC, a Delaware limited liability company ("**SDC Financial**"), designated as a "Common Unit" (such unit a "**Common Unit**" and such holder a "**Member**"), other than Common Units held by the Corporation or its subsidiaries, shall, pursuant to terms and subject to the conditions of the limited liability company operating agreement of SDC Financial (the "**LLC Agreement**"), has the right (the "**Redemption Right**") to redeem such Common Unit for the applicable Cash Amount or Share Offering Funding Amount (each as defined in the LLC Agreement), subject to the Corporation's right, in its sole and absolute discretion, to elect to acquire some or all of such Common Units that such Member has tendered for redemption for a number of shares of Class A Common Stock, an amount of cash or a combination of both (the "**Exchange Option**"), in the case of each of the Redemption Right and the Exchange Option, on and subject to the terms and conditions set forth in this Amended and Restated Certificate of Incorporation and in the LLC Agreement.

(1) In connection with the Corporation's exercise of the Exchange Option under the LLC Agreement, the Corporation shall issue to such Member a number of shares of Class A Common Stock as determined by the terms and provisions of the LLC Agreement in exchange for the Common Units that have been tendered by such Member in its exercise of the Redemption Right and that the Corporation has elected to acquire pursuant to the Exchange Option, subject, at all times, to the Corporation's right, in accordance with the terms and provisions of LLC Agreement, to elect to deliver cash in lieu of issuing shares of Class A Common Stock, or to elect to deliver a combination of shares of Class A Common Stock and cash, with the form and allocation of consideration determined by the Corporation in its sole discretion. No fractional shares of Class A Common Stock shall be issued upon the Corporation's exercise of the Exchange Option. In lieu of any fractional shares to which the Member would otherwise be entitled, the Corporation shall pay to the Member cash equal to the Value of the fractional shares of Class A Common Stock.

(2) Concurrently with any redemption of Common Units pursuant to the Redemption Right or exchange of Common Units pursuant to the Exchange Option, a number of shares of Class B Common Stock held by such Member equal to the number of Common Units redeemed or exchanged shall be automatically, without further action by such Member or the Corporation, transferred to the Corporation for no consideration and shall be retired and resume the status of authorized and unissued shares of Class B Common Stock, and all rights of such Member with respect to such shares, including the rights, if any, to receive notices and to vote, shall thereupon cease and terminate.

(3) The following terms shall have the following meanings:

(i) "**Value**" means, on any Valuation Date with respect to a share of Class A Common Stock, the average of the daily Market Prices for ten (10) consecutive trading days immediately preceding the Valuation Date.

(ii) "**Market Price**" on any date means, with respect to any outstanding shares of Class A Common Stock, the last sale price for such shares of Class A Common Stock, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such

shares of Class A Common Stock, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the NASDAQ Global Select Market or, if such shares of Class A Common Stock are not listed or admitted to trading on the NASDAQ Global Select Market, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such shares of Class A Common Stock are listed or admitted to trading or, if such shares of Class A Common Stock are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the principal automated quotation system that may then be in use or, if such shares of Class A Common Stock are not quoted by any such system, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such shares of Class A Common Stock selected by the Board of Directors or, in the event that no trading price is available for such shares of Class A Common Stock, the fair market value of the shares of Class A Common Stock, as determined in good faith by the Board of Directors.

(iii) "**Valuation Date**" means, the date of receipt by the Manager of SDC Financial of a Notice of Redemption (as defined in the LLC Agreement), subject to the terms and conditions set forth in the LLC Agreement, or such other date as specified herein, or, if such date is not a business day, the immediately preceding business day.

(4) Such number of shares of Class A Common Stock as may from time to time be required for exchange pursuant to the terms of Section 5.2(E)(1) shall be reserved for issuance upon exchange of outstanding Common Units.

(F) Transfers.

(1) Without limiting any Member's ability to effect an exchange of Common Units in compliance with Section 5.2, no holder of Class B Common Stock shall be permitted to consummate a sale, pledge, conveyance, hypothecation, assignment or other transfer ("**Transfer**") of Class B Common Stock other than as part of a concurrent Transfer of an equal number of Common Units made to the same transferee in compliance with the restrictions on transfer contained in the LLC Agreement (for the avoidance of doubt, whether pursuant to a Permitted Transfer (as defined in the LLC Agreement) or with the consent of the Manager of SDC Financial). Any purported Transfer of Class B Common Stock not in accordance with the terms of this Section 5.2(F)(1) shall be void *ab initio*.

(2) The Corporation may, as a condition to the Transfer or the registration of Transfer of shares of Class B Common Stock, require the furnishing of such affidavits or other proof as it deems necessary to establish whether such Transfer is permitted pursuant to the terms of Section 5.2(F)(1).

(G) **Adjustments to Relevant Securities**. In the event of any split or reverse split of any of the Relevant Securities (as defined below), or a distribution of any Relevant Securities to the holders of such Relevant Securities, unless a similar transaction is effected with respect to the other types of Relevant Securities, references herein to a number of shares or units of any type of Relevant Securities, or a ratio of one type of Relevant Securities to another, shall be deemed adjusted as appropriate to reflect such split, reverse split or distribution. For example, if there is a one-for-two reverse split of Common Units, but no similar reverse split of shares of Class B Common Stock, and a holder of Common Units and shares of Class B Common Stock subsequently tenders such units for redemption pursuant to the Redemption Right or the Exchange Option, then the number of such holder's shares of Class B Common Stock that will be automatically converted to shares of Class A Common Stock will be equal to twice the number of Common Units tendered for redemption. "**Relevant Securities**" means Class A Common Stock, Class B Common Stock, and Common Units.

(H) **Retirement of Class B Common Stock**. In the event that (i) any LLC Unit is consolidated or otherwise cancelled or retired or (ii) any outstanding share of Class B Common Stock otherwise shall cease to be held by a holder of a corresponding LLC Unit, in each case, whether as a result of exchange, reclassification, redemption or otherwise, then the corresponding share of Class B Common Stock (in the case of (i)) or such share of Class B Common Stock (in the case of (ii)) shall automatically and without further action on the part of the Corporation or any holder of Class B Common Stock be transferred to the Corporation for no consideration and thereupon shall be retired and restored to the status of authorized but unissued shares of Class B Common Stock.

(I) **No Preemptive or Subscription Rights**. No holder of shares of Common Stock shall be entitled to preemptive or subscription rights.

Section 5.3. **Preferred Stock**.

(A) The Board of Directors is expressly authorized to provide, out of the unissued shares of Preferred Stock, for the issuance of all or any shares of the Preferred Stock in one or more classes or series, and to fix for each such class or series such voting powers, full or limited, or no voting powers, and such distinctive designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such class or series and as may be permitted by the DGCL, including, without limitation, the authority to provide that any such class or series may be (i) subject to redemption at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; or (iv) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, of the Corporation at such price or prices or at such rates of exchange and with such adjustments; all as may be stated in such resolution or resolutions.

(B) Except as otherwise required by this Amended and Restated Certificate of Incorporation or by applicable law, holders of a series of Preferred Stock shall be entitled only to such voting rights, if any, as shall expressly be granted thereto by this Amended and Restated Certificate of Incorporation (including any certificate of designation relating to such series).

ARTICLE VI

Section 6.1. **Amendment of Certificate of Incorporation**. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation; provided, however, that the following provisions of this Amended and Restated Certificate of Incorporation may be amended, altered, repealed or rescinded, in whole or in part, or any provision inconsistent therewith or herewith may be adopted, only by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 $^{2}/_{3}$%) of the total voting power of all the then-outstanding shares of stock of the Corporation entitled to vote thereon, voting together as a single class: this Article VI, Article VII, Article VIII, Article IX and Article X.

Section 6.2. **Amendment of Bylaws**. In furtherance and not in limitation of the powers conferred upon it by the laws of the State of Delaware, the Board of Directors shall have the power to adopt, amend, alter or repeal the Corporation's By-Laws (as in effect from time to time, the "**Bylaws**"). The affirmative vote of at least a majority of the entire Board shall be required to adopt, amend, alter or repeal the Bylaws. The Bylaws also may be adopted, amended, altered or repealed by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 $^{2}/_{3}$%) of the voting power of the shares entitled to vote in connection with the election of directors of the Corporation.

ARTICLE VII

Section 7.1. **Board of Directors**.

(A) Except as otherwise provided in this Amended and Restated Certificate of Incorporation or the DGCL, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. Except as otherwise provided for or fixed pursuant to the provisions of Article V (including any certificate of designation with respect to any series of Preferred Stock) and this Article VII relating to the rights of the holders of any series of Preferred Stock to elect additional directors, the total number of directors constituting the whole Board of Directors shall be determined from time to time exclusively by resolution adopted by the Board of Directors with a maximum of fifteen (15) directors. The directors (other than those directors elected by the holders of any series of Preferred Stock, voting separately as a series or together with one or more other such series, as the case may be) shall be divided into three classes designated Class I, Class II and Class III. Each class shall consist, as nearly as possible, of one-third ($^{1}/_{3}$) of the total number of such directors. The initial division of the Board of Directors into classes shall be made by the decision of the affirmative vote of a majority of the entire Board. Class I directors shall initially serve for a term expiring at the first annual meeting of stockholders following the IPO Date, Class II directors shall initially serve for a term expiring at the second annual meeting of stockholders following the IPO Date and Class III directors shall

initially serve for a term expiring at the third annual meeting of stockholders following the IPO Date or, in each case, upon such director's earlier death, resignation or removal. At each succeeding annual meeting of stockholders commencing with the first annual meeting of stockholders following the IPO Date, successors to the class of directors whose term expires at that annual meeting shall be elected for a three (3)-year term and until their successors are duly elected and qualified. If the total number of such directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any such additional director of any class elected to fill a newly created directorship resulting from an increase in such class or from the removal from office, death, disability, resignation or disqualification of a director or other cause shall hold office for a term that shall coincide with the remaining term of that class, but in no case shall a decrease in the total number of directors have the effect of removing or shortening the term of any incumbent director. Any such director shall hold office until the annual meeting at which his or her term expires and until his or her successor shall be elected and qualified, or his or her earlier death, resignation, retirement, disqualification or removal from office. Elections of directors need not be by written ballot unless the Bylaws shall so provide.

(B) Subject to the rights granted to the holders of any one or more series of Preferred Stock then outstanding, (i) any newly created directorship on the Board of Directors that results from an increase in the total number of directors shall be filled by the affirmative vote of a majority of the directors then in office (other than directors elected by the holders of any series of Preferred Stock, voting separately as a series or together with one or more series, as the case may be), provided that a quorum is present, and (ii) and any other vacancy occurring in the Board of Directors (whether by death, resignation, retirement, disqualification, removal or other cause) shall be filled by the affirmative vote of a majority of the directors then in office (other than directors elected by the holders of any series of Preferred Stock, voting separately as a series or together with one or more series, as the case may be), although less than a quorum, or by a sole remaining director. Any director elected to fill a newly created directorship or other vacancy shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor shall be elected and qualified, or until his or her earlier death, resignation, retirement, disqualification or removal.

(C) Any or all of the directors (other than the directors elected by the holders of any series of Preferred Stock, voting separately as a series or together with one or more other such series, as the case may be) may be removed at any time, but only for cause, by the affirmative vote of a majority in voting power of all outstanding shares of stock of the Corporation entitled to vote thereon, voting together as a single class. Any director may resign at any time in accordance with the Bylaws.

(D) During any period when the holders of any series of Preferred Stock, voting separately as a series or together with one or more other such series, have the right to elect additional directors pursuant to the provisions of this Amended and Restated Certificate of Incorporation (including any certificate of designation with respect to any series of Preferred Stock) in respect of such series, then upon commencement and for the duration of the period during which such right continues: (i) the then otherwise total number of directors of the Corporation shall automatically be increased by such specified number of directors, and the holders of such series of Preferred Stock shall be entitled to elect the additional directors so

provided for or fixed pursuant to said provisions, and (ii) each such additional director shall serve until such director's successor shall have been duly elected and qualified, or until such director's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his or her earlier death, resignation, retirement, disqualification or removal. Except as otherwise provided by the Board of Directors in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect additional directors are divested of such right pursuant to the provisions of such Preferred Stock, the terms of office of all such additional directors elected by the holders of such Preferred Stock, or elected to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional directors, shall forthwith terminate and the total authorized number of directors of the Corporation shall automatically be reduced accordingly.

(E) In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject to the provisions of the DGCL, this Amended and Restated Certificate of Incorporation and the Bylaws; provided, however, that no Bylaws hereafter adopted by the stockholders shall invalidate any prior act of the directors that would have been valid if such Bylaws had not been adopted.

ARTICLE VIII

Section 8.1. **Limitation on Liability of Directors**. No director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director; provided, however, that to the extent required by the provisions of Section 102(b)(7) of the DGCL or any successor statute, or any other laws of the State of Delaware, this provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended after the date of this Amended and Restated Certificate of Incorporation to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation, in addition to the limitation on personal liability provided in this Amended and Restated Certificate of Incorporation, shall be limited to the fullest extent permitted by the DGCL, as so amended. Any repeal or modification of this Section 8.1 shall not adversely affect any limitation on the personal liability or any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

Section 8.2. **Indemnification of Directors.**

(A) The Corporation shall indemnify its directors and officers to the fullest extent authorized or permitted by applicable law, as now or hereafter in effect, and such right to indemnification shall continue as to a person who has ceased to be a director or officer of the Corporation and shall inure to the benefit of his or her heirs, executors and personal and legal representatives; provided, however, that, except for proceedings to enforce rights to indemnification, the Corporation shall not be obligated to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) in connection with a proceeding (or part thereof) initiated by such person unless such proceeding

(or part thereof) was authorized or consented to by the Board of Directors. The right to indemnification conferred by this Article VIII shall include the right to be paid by the Corporation the expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition upon receipt by the Corporation of an undertaking by or on behalf of the director or officer receiving advancement to repay the amount advanced if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation under this Article VIII.

(B) The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VIII to directors and officers of the Corporation.

(C) The rights to indemnification and to the advancement of expenses conferred in this Article VIII shall not be exclusive of any other right which any person may have or hereafter acquire under this Amended and Restated Certificate of Incorporation, the Bylaws, any statute, agreement, vote of stockholders or disinterested directors or otherwise.

(D) Any repeal or modification of this Article VIII by the stockholders of the Corporation shall not adversely affect any rights to indemnification and to the advancement of expenses of a director or officer of the Corporation existing at the time of such repeal or modification with respect to any acts or omissions occurring prior to such repeal or modification.

ARTICLE IX

Section 9.1. **Consent of Stockholders in Lieu of Meeting**. At any time when the Voting Group beneficially owns, in the aggregate, at least thirty percent (30%) of the total voting power of all the then-outstanding shares of stock of the Corporation entitled to vote generally in the election of directors, any action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation in accordance with the applicable provisions of the DGCL. At any time when the Voting Group beneficially owns, in the aggregate, less than thirty percent (30%) of the total voting power of all the then-outstanding shares of stock of the Corporation entitled to vote generally in the election of directors, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent of stockholders in lieu of a meeting unless such action is unanimously recommended by the Board of Directors. Notwithstanding the foregoing, any action required or permitted to be taken by the holders of Class B Common Stock, voting separately as a class, or, to the extent expressly permitted by the certificate of designation relating to one or more series of Preferred Stock, by the holders of such series of Preferred Stock, voting separately as a series or separately as a class with one or more other such series, may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares of

the relevant class or series having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation in accordance with the applicable provisions of the DGCL.

Section 9.2. **Special Meetings of the Stockholders**. Except as otherwise required by law and subject to the rights of the holders of any series of Preferred Stock, special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time only by or at the direction of the Board of Directors or the Chairman of the Board of Directors.

Section 9.3. **Annual Meetings of the Stockholders**. An annual meeting of stockholders for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting shall be held at such place, if any, on such date and at such time as shall be fixed exclusively by resolution of the Board of Directors or a duly authorized committee thereof.

ARTICLE X

Section 10.1. **DGCL Section 203 and Business Combinations**.

(A) The Corporation shall be governed by Section 203 of the DGCL at all times at which the shares of Class B Common Stock held by the Voting Group represent at least fifteen percent (15%) of the Class B Common Stock held by the Voting Group as of the IPO Date. The Corporation shall not be governed by Section 203 of the DGCL at any time at which the shares of Class B Common Stock held by the Voting Group represent less than fifteen percent (15%) of the Class B Common Stock held by the Voting Group as of the IPO Date.

(B) Notwithstanding the foregoing, the Corporation shall not engage in any business combination (as defined below), at any point in time at which the Corporation's Common Stock is registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), with any interested stockholder (as defined below) for a period of three (3) years following the time that such stockholder became an interested stockholder, unless:

(1) prior to such time, the Board of Directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

(2) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least eighty-five percent (85%) of the voting stock (as defined below) of the Corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned by (i) persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

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(3) at or subsequent to such time, the business combination is approved by the Board of Directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least sixty-six and two-thirds percent (66 $^{2}/_{3}$%) of the outstanding voting stock of the Corporation that is not owned by the interested stockholder.

(C) For purposes of this Article X, references to:

(1) "**affiliate**" means a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, another person.

(2) "**associate**," when used to indicate a relationship with any person, means: (i) any corporation, partnership, unincorporated association or other entity of which such person is a director, officer or partner or is, directly or indirectly, the owner of twenty percent (20%) or more of any class of voting stock; (ii) any trust or other estate in which such person has at least a twenty percent (20%) beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity; and (iii) any relative or spouse of such person, or any relative of such spouse, who has the same residence as such person.

(3) "**business combination**," when used in reference to the Corporation and any interested stockholder of the Corporation, means:

(i) any merger or consolidation of the Corporation or any direct or indirect majority-owned subsidiary of the Corporation (a) with the interested stockholder or (b) with any other corporation, partnership, unincorporated association or other entity if the merger or consolidation is caused by the interested stockholder and as a result of such merger or consolidation Section 10.1(B) is not applicable to the surviving entity;

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a stockholder of the Corporation, to or with the interested stockholder, whether as part of a dissolution or otherwise, of assets of the Corporation or of any direct or indirect majority-owned subsidiary of the Corporation which assets have an aggregate market value equal to ten percent (10%) or more of either the aggregate market value of all the assets of the Corporation determined on a consolidated basis or the aggregate market value of all the outstanding stock of the Corporation;

(iii) any transaction that results in the issuance or transfer by the Corporation or by any direct or indirect majority-owned subsidiary of the Corporation of any stock of the Corporation or of such subsidiary to the interested stockholder, except: (a) pursuant to the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into stock of the Corporation or any such subsidiary which securities were outstanding prior to the time that the interested stockholder became such; (b) pursuant to a merger under

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Section 251(g) of the DGCL; (c) pursuant to a dividend or distribution paid or made, or the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into stock of the Corporation or any such subsidiary which security is distributed, pro rata to all holders of a class or series of stock of the Corporation subsequent to the time the interested stockholder became such; (d) pursuant to an exchange offer by the Corporation to purchase stock made on the same terms to all holders of said stock; or (e) any issuance or transfer of stock by the Corporation; provided, however, that in no case under items (c) through (e) of this Section 10.1(C)(3)(iii) shall there be an increase in the interested stockholder's proportionate share of the stock of any class or series of the Corporation or of the voting stock of the Corporation (except as a result of immaterial changes due to fractional share adjustments);

(iv) any transaction involving the Corporation or any direct or indirect majority-owned subsidiary of the Corporation that has the effect, directly or indirectly, of increasing the proportionate share of the stock of any class or series, or securities convertible into the stock of any class or series, of the Corporation or of any such subsidiary that is owned by the interested stockholder, except as a result of immaterial changes due to fractional share adjustments or as a result of any purchase or redemption of any shares of stock not caused, directly or indirectly, by the interested stockholder; or

(v) any receipt by the interested stockholder of the benefit, directly or indirectly (except proportionately as a stockholder of the Corporation), of any loans, advances, guarantees, pledges or other financial benefits (other than those expressly permitted in subsections (i) through (iv) above) provided by or through the Corporation or any direct or indirect majority-owned subsidiary.

(4) "**control**," including the terms "**controlling**," "**controlled by**" and "**under common control with**," means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting stock, by contract or otherwise. A person who is the owner of twenty percent (20%) or more of the outstanding voting stock of a corporation, partnership, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary. Notwithstanding the foregoing, a presumption of control shall not apply where such person holds voting stock, in good faith and not for the purpose of circumventing this Section 10.1, as an agent, bank, broker, nominee, custodian or trustee for one or more owners who do not individually or as a group have control of such entity.

(5) "**interested stockholder**" means any person (other than the Corporation or any direct or indirect majority-owned subsidiary of the Corporation) that (i) is the owner of fifteen percent (15%) or more of the outstanding voting stock of the Corporation or (ii) is an affiliate or associate of the Corporation and was the owner of fifteen percent (15%) or more of the outstanding voting stock of the Corporation at any time within the three (3)-year period immediately prior to the date on which it is sought to be determined whether such person is an interested stockholder; and the affiliates and associates of such person; but "interested

stockholder" shall not include (a) the Voting Group or any of their respective affiliates or successors or any "group," or any member of any such group, to which such persons are a party under Rule 13d-5 of the Exchange Act, or (b) any person whose ownership of shares in excess of the fifteen percent (15%) limitation set forth herein is the result of any action taken solely by the Corporation; provided, however, that in the case of clause (b), such person shall be an interested stockholder if thereafter such person acquires additional shares of voting stock of the Corporation, except as a result of further corporate action not caused, directly or indirectly, by such person. For the purpose of determining whether a person is an interested stockholder, the voting stock of the Corporation deemed to be outstanding shall include stock deemed to be owned by the person through application of the definition of "owner" below but shall not include any other unissued stock of the Corporation that may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(6) "**owner**," including the terms "**own**" and "**owned**," when used with respect to any stock, means a person that individually or with or through any of its affiliates or associates:

(i) beneficially owns such stock, directly or indirectly;

(ii) has (a) the right to acquire such stock (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; provided, however, that a person shall not be deemed the owner of stock tendered pursuant to a tender or exchange offer made by such person or any of such person's affiliates or associates until such tendered stock is accepted for purchase or exchange, or (b) the right to vote such stock pursuant to any agreement, arrangement or understanding; provided, however, that a person shall not be deemed the owner of any stock because of such person's right to vote such stock if the agreement, arrangement or understanding to vote such stock arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made to ten or more persons; or

(iii) has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent as described in item (b) of subsection (ii) above), or disposing of such stock with any other person that beneficially owns, or whose affiliates or associates beneficially own, directly or indirectly, such stock.

(7) "**person**" means any individual, corporation, partnership, unincorporated association or other entity.

(8) "**stock**" means, with respect to any corporation, capital stock and, with respect to any other entity, any equity interest.

(9) "**voting stock**" means stock of any class or series entitled to vote generally in the election of directors.

ARTICLE XI

Section 11.1. **Severability**. If any provision or provisions of this Amended and Restated Certificate of Incorporation shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever: (i) the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Amended and Restated Certificate of Incorporation (including, without limitation, each portion of any paragraph of this Amended and Restated Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not, to the fullest extent permitted by applicable law, in any way be affected or impaired thereby and (ii) to the fullest extent permitted by applicable law, the provisions of this Amended and Restated Certificate of Incorporation (including, without limitation, each such portion of any paragraph of this Amended and Restated Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to permit the Corporation to protect its directors, officers, employees and agents from personal liability in respect of their good faith service to or for the benefit of the Corporation to the fullest extent permitted by law.

Section 11.2. **Forum**. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, stockholder or employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation or any director, officer or employee of the Corporation arising pursuant to any provision of the DGCL, this Amended and Restated Certificate of Incorporation or the Bylaws (as each may be amended and/or restated from time to time), or (iv) any action asserting a claim against the Corporation or any director, officer or employee of the Corporation governed by the internal affairs doctrine, provided, however, that, in the event that the Court of Chancery of the State of Delaware lacks subject matter jurisdiction over any such action or proceeding, the sole and exclusive forum for such action or proceeding shall be another state or federal court located within the State of Delaware, in each such case, unless the Court of Chancery (or such other state or federal court located within the State of Delaware, as applicable) has dismissed a prior action by the same plaintiff asserting the same claims because such court lacked personal jurisdiction over an indispensable party named as a defendant therein. Failure to enforce the foregoing provisions would cause the Corporation irreparable harm and the Corporation shall be entitled to equitable relief, including injunctive relief and specific performance, to enforce the foregoing provisions. To the fullest extent permitted by law, any person purchasing or otherwise acquiring any interest in shares of stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Section 11.2.

* * * * *

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Incorporation to be signed by David Katzman, its Chief Executive Officer, this [·] day of September, 2019.

SMILEDIRECTCLUB, INC.

By: _____

Name: David Katzman
Title: Chief Executive Officer

[Signature Page to Amended and Restated Certificate of Incorporation of SmileDirectClub, Inc.]

Exhibit 4.2

EXECUTION

SDC FINANCIAL LLC

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made as of August 17, 2018 among SDC Financial LLC, a Tennessee limited liability company (the "Company"), each of the investors listed on the signature pages hereto under the caption "Investors" and each other Person who executes a Joinder as an "Investor" (collectively, the "Investors"), and each other Person who executes a Joinder as an "Other Holder" (collectively, the "Other Holders" and, together with Investors, the "Holders"). Capitalized terms used, but not otherwise defined, in this Agreement are defined in Exhibit A attached hereto.

In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

Section 1 Demand Registrations.

(a) Requests for Registration. At any time and from time to time beginning six (6) months after the effective date of the Company IPO, Investors holding a majority of the Investor Registrable Securities may request registration under the Securities Act of all or any portion of their Registrable Securities on Form S-1 or any similar long-form registration ("Long-Form Registrations") or on Form S-3 or any similar short-form registration ("Short-Form Registrations"), if available (any such requested registration, a "Demand Registration"); provided that at any time and from time to time beginning six (6) months after the effective date of the Company IPO, Investors holding a majority of the Investor Registrable Securities may request one (1) Long-Form Registration and no more than four (4) Short-Form Registrations within any consecutive twelve (12) month period; provided, that, within any such twelve (12) month period, no more than two (2) Short Form Registrations shall require the filing of a new registration statement; provided, further, the aggregate anticipated offering price, net of Registration Expenses, of each offering in connection with a Long-Form Registration is at least $75,000,000 and each offering in connection with a Short-Form Registration is at least $25,000,000. The Investors making any request for Demand Registration utilizing a Short-Form Registration may request that any Demand Registration be made pursuant to Rule 415 under the Securities Act (a "Shelf Registration") and (if the Company is a WKSI at the time any such request is submitted to the Company or will become one by the time of the filing of such Shelf Registration) that such Shelf Registration be an automatic shelf registration statement (as defined in Rule 405 under the Securities Act) (an "Automatic Shelf Registration Statement"). Within (i) sixty (60) days in the case of a request for a Long-Form Registration or (ii) thirty (30) days in the case of a request for a Short-Form Registration, the Company shall use its reasonable best efforts to file a registration statement relating to such Demand Registration, and the Company shall use its reasonable best efforts to maintain such registration statement continuously effective under the Securities Act until the earlier of (x) the date that all Registrable Securities have been sold pursuant to the Shelf Registration or another registration statement under the Securities Act (but in no event prior to the applicable period set forth in Section 4(a)(3) of the Securities Act and Rule 174 thereunder), (y) the date that no Holder holds Registrable Securities registered under such shelf registration statement or (z) except in the case of a Shelf Registration Statement, the

date that is one hundred eighty (180) days following the effective date of such registration statement. Each request for a Demand Registration must specify the approximate number or dollar value of Registrable Securities requested to be registered by the requesting Holders and (if known) the intended method of distribution.

(b) Notice to Other Holders. Within ten (10) days after receipt of any such request (or, at the Company's option in the case of a Demand Registration that is not for an Automatic Shelf Registration Statement, within five (5) business days following the non-confidential filing of the registration statement), the Company will give written notice of the Demand Registration to all other Holders and, subject to the terms of Section 1(e), will include in such Demand Registration (and in all related registrations and qualifications under state blue sky laws and in any related underwriting) all Registrable Securities with respect to which the Company has received written requests for inclusion therein within ten (10) days after the receipt of the Company's notice.

(c) Form of Registrations. All Long-Form Registrations will be underwritten registrations unless otherwise approved by the Company and the holders of a majority of Registrable Securities to be included in such registration. Demand Registrations will be Short-Form Registrations whenever the Company is permitted to use any applicable short form unless the Company, in its sole discretion, elects not to the use of a Short-Form Registration. Notwithstanding anything to the contrary herein, the Company shall not be obligated to effect, or take any action to effect, any Long-Form Registration during the period that is sixty (60) days before the Company's good faith estimate of the date of filing of, and ending on a date that is one hundred eighty (180) days after the effective date of, a Company-initiated registration; provided that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective.

(d) Shelf Registrations.

(i) For so long as a registration statement for a Shelf Registration (a "Shelf Registration Statement") is and remains effective, the Investors will have the right at any time or from time to time to elect to sell, pursuant to an offering (including an underwritten offering) Registrable Securities available for sale pursuant to such registration statement ("Shelf Registrable Securities"). An Investor may elect to sell Registrable Securities pursuant to an underwritten offering by delivering to the Company a written notice (a "Shelf Offering Notice") specifying the number of Shelf Registrable Securities that the holder desires to sell pursuant to such underwritten offering (the "Shelf Offering"). As promptly as practicable, but in no event later than five (5) business days after receipt of a Shelf Offering Notice, the Company will give written notice of such Shelf Offering Notice to all other Holders of Shelf Registrable Securities that have been identified as selling stockholders in such Shelf Registration Statement and are otherwise permitted to sell in such Shelf Offering. The Company, subject to Section 1(e) and Section 7, will include in such Shelf Offering all Shelf Registrable Securities with respect to which the Company has received written requests for inclusion (which request will specify the maximum number of Shelf Registrable Securities intended to be disposed of by such Holder) within seven (7) business days after the receipt of the Shelf Offering Notice. The Company will, as promptly as reasonably practicable (and in any event

within thirty (30) days after the receipt of a Shelf Offering Notice), but subject to Section 1(e), use its reasonable best efforts to facilitate such Shelf Offering. Delivery of a Shelf Offering Notice by an Investor shall count as the request by such Investor of one (1) Demand Registration unless the Shelf Offering Notice is revoked by the Investor prior to completion of the Shelf Offering pursuant to Section 1(i).

(ii) If an Investor wishes to engage in an underwritten block trade or bought deal off of a Shelf Registration Statement (either through filing an Automatic Shelf Registration Statement or through a take-down from an already existing Shelf Registration Statement) (an "Underwritten Block Trade"), then notwithstanding the time periods set forth in Section 1(d)(i), such Investor will notify the Company of the Underwritten Block Trade not less than five (5) business days prior to the day such offering is first anticipated to commence. By the end of the next business day, the Company will notify the other Investors and the Other Holders of such Underwritten Block Trade, and such notified Holders (each, a "Potential Block Participant") may elect whether or not to participate no later than the next business day (*i.e.* one (1) business day prior to the day such offering is to commence), and the Company will as promptly as reasonably practicable use its reasonable best efforts to facilitate such Underwritten Block Trade (which may close as early as two (2) business days after the date it commences). Any Potential Block Participant's request to participate in an Underwritten Block Trade shall be binding on the Potential Block Participant.

(iii) All determinations as to whether to complete any Shelf Offering and as to the timing, manner, price and other terms of any Shelf Offering contemplated by this Section 1(d) shall be determined by Holders of a majority of the Registrable Securities to be offered in such Shelf Offering, and the Company shall use its reasonable best efforts to cause any Shelf Offering to occur as promptly as reasonably practicable.

(iv) The Company will, at the request of Holders of a majority of the Registrable Securities to be offered in such Shelf Offering, file any prospectus supplement or any post-effective amendments necessary to effect such Shelf Offering.

(e) Priority on Demand Registrations and Shelf Offerings. If a Demand Registration or a Shelf Offering is an underwritten offering and the managing underwriters advise the Company in writing that in their opinion the number of Registrable Securities and (if permitted hereunder) other securities requested to be included in such offering exceeds the number of Registrable Securities and other securities (if any), which can be sold therein without adversely affecting the marketability, proposed offering price, timing or method of distribution of the offering, then the Company will include in such offering (prior to the inclusion of any securities which are not Registrable Securities): (i) first, the number of Investor Registrable Securities requested to be included which, in the opinion of such underwriters, can be sold, without any such adverse effect, pro rata among the respective Investors on the basis of the number of Investor Registrable Securities owned by each such Investor; and (ii) second, the number of Registrable Securities requested to be included by Other Holders which, in the opinion of such underwriters, can be sold, without any such adverse effect, pro rata among the respective Other Holders on the basis of the number of Registrable Securities owned by each such Other Holder.

(f) Restrictions on Demand Registration and Shelf Offerings

(i) The Company may postpone, for up to sixty (60) days from the date of the request (the "Suspension Period"), the filing or the effectiveness of a registration statement for a Demand Registration or suspend the use of a prospectus that is part of a Shelf Registration Statement (and therefore suspend sales of the Shelf Registrable Securities) by providing written notice to the Holders if the filing, initial effectiveness or continued use of such registration statement and/or prospectus, as applicable, would (i) require the Company to make an Adverse Disclosure, (ii) materially interfere with a significant acquisition, corporate reorganization or other similar transaction involving the Company or (iii) render the Company unable to comply with the requirements under the Securities Act or Exchange Act. The Company may delay or suspend the effectiveness of a Demand Registration or Shelf Registration Statement pursuant to this Section 1(f)(i) only twice in any twelve (12)-month period (for avoidance of doubt, in addition to the Company's rights and obligations under Section 4(a)(vi)).

(ii) In the case of an event that causes the Company to suspend the use of a Shelf Registration Statement as set forth in Section 1(f)(i) above or pursuant to Section 4(a)(vi) (a "Suspension Event"), the Company will give a notice to the Holders whose Registrable Securities are registered pursuant to such Shelf Registration Statement (a "Suspension Notice") to suspend sales of the Registrable Securities and such notice must state generally the basis for the notice and that such suspension will continue only for so long as the Suspension Event or its effect is continuing. Each Holder agrees not to effect any sales of its Registrable Securities pursuant to such Shelf Registration Statement (or such filings) at any time after it has received a Suspension Notice from the Company and prior to receipt of an End of Suspension Notice. A Holder may recommence effecting sales of the Registrable Securities pursuant to the Shelf Registration Statement (or such filings) following further written notice to such effect (an "End of Suspension Notice") from the Company, which End of Suspension Notice will be given by the Company to the Holders promptly following the conclusion of any Suspension Event.

(g) Selection of Underwriters. The Investors representing a majority of the Investor Registrable Securities to be offered will have the right to select the investment banker(s) and manager(s) (which banker(s) and manager(s) shall, in any underwritten offering other than an Underwritten Block Trade, be reasonably acceptable to the Company) to administer any underwritten offering in connection with a Demand Registration or Shelf Offering.

(h) Other Registration Rights. Except as provided in this Agreement, the Company will not grant to any Person(s) the right to request the Company or any Subsidiary to register any equity securities of the Company or any Subsidiary, or any securities convertible or exchangeable into or exercisable for such securities ("New Registration Rights"), without the prior written consent of Investors holding a majority of the Investor Registrable Securities; provided, however, that such consent of the Investors shall not be required if the Company grants New Registration Rights which are (i) granted to such Person(s) in respect of a Senior Security (as defined in the LLC Agreement) issued to or held by such Person(s), (ii) subordinate to the Investors with respect to priority of registration (in the case of a Demand Registration) and (iii)

pari passu to the Investors with respect to priority of registration (in the case of a Piggyback Registration).

(i) Revocation of Demand Notice or Shelf Offering Notice. At any time prior to the effective date of the registration statement relating to a Demand Registration or the "pricing" of any offering relating to a Shelf Offering Notice, the requesting Investor(s) may revoke such notice of a Demand Registration or Shelf Offering Notice on behalf of all Holders participating in such Demand Registration or Shelf Offering by providing written notice to the Company; provided, that, (i) such revoked Demand Registration shall count as an exercised Demand Registration pursuant to Section 1(a); (ii) no Holder(s) may make a new Demand Registration request for sixty (60) days following the revocation of an earlier Demand Registration request by such Holder and (iii) such Holder(s) shall not be entitled to reimbursement or payment of legal fees for their counsel.

(j) Confidentiality. Each Holder agrees to treat as confidential the receipt of any notice hereunder (including notice of a Demand Registration, a Shelf Offering Notice and a Suspension Notice) and the information contained therein, and not to disclose or use the information contained in any such notice (or the existence thereof) without the prior written consent of the Company until such time as the information contained therein is or becomes available to the public generally (other than as a result of disclosure by such Holder in breach of the terms of this Agreement).

Section 2 Piggyback Registrations.

(a) Right to Piggyback. Whenever the Company proposes to register any of its equity securities under the Securities Act (including primary and secondary registrations, and other than pursuant to an Excluded Registration) (a "Piggyback Registration"), the Company will give prompt written notice (and in any event within five (5) business days after the public filing of the registration statement relating to the Piggyback Registration) to all Holders of its intention to effect such Piggyback Registration and, subject to the terms of Section 2(b) and Section 2(c), will include in such Piggyback Registration (and in all related registrations or qualifications under blue sky laws and in any related underwriting) all Registrable Securities with respect to which the Company has received written requests for inclusion therein within ten (10) days after delivery of the Company's notice.

(b) Priority on Primary Registrations. If a Piggyback Registration is an underwritten registration involving only primary issuance by the Company (in which Registrable Securities are to be included pursuant to Section 2(a)), and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in such offering without adversely affecting the marketability, proposed offering price, timing or method of distribution of the offering, the Company will include in such registration (i) first, the securities the Company proposes to sell, (ii) second, the Investor Registrable Securities requested to be included in such registration which, in the opinion of the underwriters, can be sold without any such adverse effect, pro rata among the Investors on the basis of the number of Investor Registrable Securities owned by each such Investor, (iii) third, the Registrable Securities requested to be included in such registration by Other Holders which, in the opinion of the underwriters, can be sold without

any such adverse effect, pro rata among the Other Holders on the basis of the number of Registrable Securities owned by each such Other Holder, and (iv) fourth, other securities requested to be included in such registration which, in the opinion of the underwriters, can be sold without any such adverse effect.

(c) Priority on Secondary Registrations. If a Piggyback Registration is an underwritten secondary registration solely on behalf of holders of the Company's equity securities other than the Investors (in which Registrable Securities are to be included pursuant to Section 2(a)), and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in such offering without adversely affecting the marketability, proposed offering price, timing or method of distribution of the offering, the Company will include in such registration (i) first, the securities requested to be included therein by the holders requesting such registration which, in the opinion of the underwriters, can be sold without any such adverse effect, (ii) second, the Registrable Securities requested to be included in such registration, pro rata among the Holders on the basis of the number of Registrable Securities owned by each such Holder which, in the opinion of the underwriters, can be sold without any such adverse effect, and (iii) third, other securities requested to be included in such registration which, in the opinion of the underwriters, can be sold without any such adverse effect.

(d) Right to Terminate or Delay Registration. The Company will have the right to terminate, withdraw or delay any registration initiated by it under this Section 2, whether or not any holder of Registrable Securities has elected to include securities in such registration.

(e) Selection of Underwriters. The Company will select the investment banker(s) and manager(s) for any Piggyback Registration regardless of whether it is a primary or secondary underwritten offering. In connection with any offering involving an underwriting of shares of the Company's capital stock pursuant to this Section 2, the Company shall not be required to include any of the Holders' Registrable Securities unless the Holders accept the terms of the underwriting as agreed upon between the Company and its underwriters provided that the terms relating to selling stockholders are customary.

(f) Opt-Out Rights. Each Holder shall have the right, at any time and from time to time (including after receiving information regarding a potential public offering), to elect to not receive any notice with respect to any Piggyback Registration that the Company or any other Holders otherwise are required to deliver pursuant to this Agreement by delivering to the Company a written statement signed by such Holder that it does not want to receive any such notices hereunder (an "Opt-Out Request"), in which case and notwithstanding anything to the contrary in this Agreement, the Company and other Holders shall not be required to, and shall not, deliver any notice or other information required to be provided to Holders hereunder to such Holder in connection with any Piggyback Registration. A Holder who previously has given the Company an Opt-Out Request may revoke such request at any time upon no less than thirty (30) days prior written notice.

Section 3 Stockholder Lock-Up Agreements and Company Holdback Agreement.

(a) Stockholder Lock-up Agreements. In connection with a Company IPO and any other underwritten Public Offering in which a Holder participates, each Holder (in the case of a Company IPO) and each of the participating Holders (in the case of any other underwritten Public Offering) will enter into any lock-up, holdback or similar agreements requested by the underwriter(s) managing such offering, in each case subject to approval by the Company of the form of lock-up, holdback or similar agreement that will be entered into by each such Holder. Without limiting the generality of the foregoing, each Holder hereby agrees that in connection a Company IPO and in connection with any Demand Registration, Shelf Offering or Piggyback Registration that is an underwritten Public Offering in which such Holder participates, not to (i) offer, sell, contract to sell, pledge or otherwise dispose of (including sales pursuant to Rule 144), directly or indirectly, any equity securities of the Company (including equity securities of the Company that may be deemed to be owned beneficially by such Holder in accordance with the rules and regulations of the SEC) (collectively, "Securities"), or any securities, options or rights convertible into or exchangeable or exercisable for Securities (collectively, "Other Securities"), (ii) enter into a transaction which would have the same effect as described in clause (i) above, (iii) enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences or ownership of any Securities or Other Securities, whether such transaction is to be settled by delivery of such Securities or Other Securities, in cash or otherwise (each of (i), (ii) and (iii) above, a "Sale Transaction"), or (iv) publicly disclose the intention to enter into any Sale Transaction, commencing on the date on which the Company gives notice to the Holders that a preliminary prospectus has been circulated for such underwritten Public Offering or the "pricing" of such offering and continuing to the date that is (x) one hundred eighty (180) days following the date of the final prospectus for such underwritten Public Offering in the case of a Company IPO, or (y) ninety (90) days following the date of the final prospectus in the case of any other such underwritten Public Offering (each such period, or such shorter period as agreed to by the managing underwriters, a "Holdback Period"), in each case with such modifications and exceptions as may be approved by Investors holding a majority of the Investor Registrable Securities. The Company may impose stop-transfer instructions with respect to any Securities or Other Securities subject to the restrictions set forth in this Section 3(a) until the end of such Holdback Period.

(b) Company Holdback Agreement. In the case of a Demand Registration, the Company agrees, if requested by the holders of a majority of the Registrable Securities to be included in such registration or the managing underwriter or underwriters with respect to such registration, (i) it will not file any registration statement for a Public Offering or cause any such registration statement to become effective, or effect any public sale or distribution of its Securities or Other Securities during any Holdback Period and (ii) it will use its reasonable best efforts to obtain a similar agreement from all stockholders individually owning more than one percent (1%) of the Company's outstanding Common Stock (after giving effect to conversion into Common Stock of all outstanding preferred stock) not to effect any Sale Transaction during any Holdback Period, except as part of such underwritten registration (if otherwise permitted), unless approved in writing by holders of a majority of Registrable Securities to be included in such registration and the underwriters managing the Public Offering and to enter into any customary lock-up, holdback or similar agreements requested by the underwriter(s) managing

such offering, in each case with such modifications and exceptions as may be approved by holders of a majority of a Registrable Securities to be included in such registration. Notwithstanding the foregoing, the Company may effect a public sale or distribution of securities of the type described above and during the periods described above if such sale or distribution is made as part of any registration of securities for offering and sale to employees or directors of the Company pursuant to any employee stock plan or other employee benefit plan arrangement or any dividend reinvestment plan or the issuance by the Company of Common Stock and securities convertible or exercisable or exchangeable for Common Stock, in an aggregate amount not to exceed ten percent (10%) of the Company's outstanding equity securities, determined as of the date of the applicable Business Transaction (as defined below), in connection with one or more acquisitions of a company or the business, securities, property or assets of another person or entity, joint ventures, commercial relationships or strategic alliances (each, a "Business Transaction") so long as the securities issued in such Business Transaction are subject to the restrictions in this Section 3(b) for the remainder of the Holdback Period.

Section 4 Registration Procedures.

(a) Company Obligations. Whenever the holders of Registrable Securities have requested that any Registrable Securities be registered pursuant to this Agreement or have initiated a Shelf Offering, the Company will use its reasonable best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof, and pursuant thereto the Company will as promptly as reasonably practicable:

(i) prepare and file with the SEC a registration statement, and all amendments and supplements thereto and related prospectuses, with respect to such Registrable Securities and use its reasonable best efforts to cause such registration statement to become effective, all in accordance with the Securities Act and all applicable rules and regulations promulgated thereunder (provided that before filing a registration statement or prospectus or any amendments or supplements thereto, the Company will furnish to the counsel selected by the holders of a majority of the Registrable Securities to be included in the registration covered by such registration statement copies of all such documents proposed to be filed, which documents will be subject to the review and comment of such counsel);

(ii) notify each Holder of (A) the issuance by the SEC of any stop order suspending the effectiveness of any registration statement or the initiation of any proceedings for that purpose, (B) the receipt by the Company or its counsel of any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, and (C) the effectiveness of each registration statement filed hereunder;

(iii) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period ending when all of the securities covered by such registration statement have been disposed of in accordance with the intended methods of distribution by the sellers thereof set forth in such

registration statement (but not in any event before the expiration of any longer period required under the Securities Act or, if such registration statement relates to an underwritten Public Offering, such longer period as in the opinion of counsel for the underwriters a prospectus is required by law to be delivered in connection with sale of Registrable Securities by an underwriter or dealer) and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement;

(iv) furnish, without charge, to each seller of Registrable Securities thereunder and each underwriter, if any, such number of copies of such registration statement, each amendment and supplement thereto, the prospectus included in such registration statement (including each preliminary prospectus), each Free Writing Prospectus and such other documents as such seller or underwriter, if any, may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such seller (the Company hereby consenting to the use in accordance with all applicable laws of each such registration statement, each such amendment and supplement thereto, and each such prospectus (or preliminary prospectus or supplement thereto) or Free Writing Prospectus by each such seller of Registrable Securities and the underwriters, if any, in connection with the offering and sale of the Registrable Securities covered by such registration statement or prospectus);

(v) use its reasonable best efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions as any seller reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller (provided that the Company will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph or (B) consent to general service of process in any such jurisdiction or (C) subject itself to taxation in any such jurisdiction);

(vi) notify in writing each seller of such Registrable Securities (A) promptly as reasonably practicable after it receives notice thereof, of the date and time when such registration statement and each post-effective amendment thereto has become effective or a prospectus or supplement to any prospectus relating to a registration statement has been filed and when any registration or qualification has become effective under a state securities or blue sky law or any exemption thereunder has been obtained, (B) promptly as reasonably practicable after receipt thereof, of any request by the SEC for the amendment or supplementing of such registration statement or prospectus or for additional information, (C) at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading, and, subject to Section 1(f), at the request of the Holders of a majority of Registrable Securities to be included in such registration, the Company will use its reasonable best efforts to promptly as reasonably practicable prepare and file a

supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading and (D) if at any time any material representations and warranties contemplated by any underwriting agreement, securities sale agreement, or other similar agreement, relating to the offering shall cease to be true and correct;

(vii) (A) use reasonable best efforts to cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed and, if not so listed, to be listed on a securities exchange and, without limiting the generality of the foregoing, to arrange for at least two market makers to register as such with respect to such Registrable Securities with FINRA, and (B) comply (and continue to comply) with the requirements of any self-regulatory organization applicable to the Company, including without limitation all corporate governance requirements;

(viii) use best efforts to provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of such registration statement;

(ix) enter into and perform such customary agreements (including underwriting agreements in customary form) as the holders of a majority of the Registrable Securities being sold or the underwriters, if any, reasonably request in order to facilitate the disposition of such Registrable Securities;

(x) make available for inspection by any seller of Registrable Securities, any underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other agent retained by any such seller or underwriter, all financial and other records, corporate and business documents and properties of the Company as reasonably requested by such seller or underwriter and as will be necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors, employees, agents, representatives and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement and the disposition of such Registrable Securities pursuant thereto;

(xi) take all reasonable actions to ensure that any Free Writing Prospectus utilized in connection with any Demand Registration or Piggyback Registration or Shelf Offering hereunder complies in all material respects with the Securities Act, is filed in accordance with the Securities Act to the extent required thereby, is retained in accordance with the Securities Act to the extent required thereby and, when taken together with the related prospectus, prospectus supplement and related documents, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(xii) otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as

soon as reasonably practicable, an earnings statement covering the period of at least twelve (12) months beginning with the first day of the Company's first full calendar quarter after the effective date of the registration statement, which earnings statement will satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder;

(xiii) permit any Holder which, in its sole and exclusive judgment, might be deemed to be an underwriter or a controlling person of the Company, to participate in the preparation of such registration or comparable statement and to allow such Holder to provide language for insertion therein, in form and substance satisfactory to the Company, which in the reasonable judgment of such Holder and its counsel should be included;

(xiv) use reasonable best efforts to prevent the issuance of any stop order suspending the effectiveness of a registration statement, or the issuance of any order suspending or preventing the use of any related prospectus or suspending the qualification of any share of Common Stock included in such registration statement for sale in any jurisdiction, and, in the event any such order is issued, use reasonable best efforts to promptly obtain the withdrawal of such order;

(xv) use its reasonable best efforts to cause such Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the sellers thereof to consummate the disposition of such Registrable Securities through the securities exchange on which the Registrable Securities are listed;

(xvi) cooperate with the Holders covered by the registration statement and the managing underwriter or agent, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing securities to be sold under the registration statement, or the removal of any restrictive legends associated with any account at which such securities are held, and enable such securities to be in such denominations and registered in such names as the managing underwriter, or agent, if any, or such Holders may request;

(xvii) if reasonably requested by any managing underwriter and reasonably available, include in any prospectus or prospectus supplement updated financial or business information for the Company's most recent period or current quarterly period (including estimated results or ranges of results) if required for purposes of marketing the offering in the view of the managing underwriter;

(xviii) take no direct or indirect action prohibited by Regulation M under the Exchange Act; provided, however, that to the extent that any prohibition is applicable to the Company, the Company will take such action as is necessary to make any such prohibition inapplicable;

(xix) (A) cooperate with each Holder covered by the registration statement and each underwriter or agent participating in the disposition of such Registrable Securities and their respective counsel in connection with the preparation and

filing of any applications, notices, registrations and responses to requests for additional information with FINRA, the New York Stock Exchange, Nasdaq or any other national securities exchange on which the Common Stock is to be listed, and (B) to the extent required by the rules and regulations of FINRA, retain a "qualified independent underwriter" within the meaning of the rules of FINRA reasonably acceptable to the managing underwriter;

(xx) make available the executive officers of the Company to participate with the Holders and any underwriters in any "road shows" or conduct other selling efforts, in each case as reasonably requested by Holders of a majority of the Registrable Securities to be offered, in connection with the methods of distribution for the Registrable Securities;

(xxi) in the case of any underwritten offering, use its reasonable best efforts to obtain one or more comfort letters from the Company's independent public accountants in customary form and covering such matters of the type customarily covered by comfort letters;

(xxii) use its best efforts to provide (i) a legal opinion of the Company's outside counsel, dated the effective date of such registration statement, addressed to the Company, (i) on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a Demand Registration or Shelf Offering, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the closing date of the applicable sale, (A) one or more legal opinions of the Company's outside counsel, dated such date, in form and substance as customarily given to underwriters in an underwritten public offering and (B) one or more "negative assurances letters" of the Company's outside counsel, dated such date, in form and substance as is customarily given to underwriters in an underwritten public offering, in each case, addressed to the underwriters, if any, or, if requested, in the case of a non-underwritten offering, to the broker, placement agent or other agent of the Holders assisting in the sale of the Registrable Securities and (ii) customary certificates executed by authorized officers of the Company as may be requested by any Holder or any underwriter of such Registrable Securities;

(xxiii) in connection with any underwritten offering, if at any time the information conveyed to a purchaser at the time of sale includes any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, promptly file with the SEC such amendments or supplements to such information as may be necessary so that the statements as so amended or supplemented will not, in the light of the circumstances, be misleading;

(xxiv) if the Company files an Automatic Shelf Registration Statement covering any Registrable Securities, use its reasonable best efforts to remain a WKSI (and not become an ineligible issuer (as defined in Rule 405 under the Securities Act)) during the period during which such Automatic Shelf Registration Statement is required to remain effective;

(xxv) if the Company does not pay the filing fee covering the Registrable Securities at the time an Automatic Shelf Registration Statement is filed, pay such fee at such time or times as the Registrable Securities are to be sold; and

(xxvi) if the Automatic Shelf Registration Statement has been outstanding for at least three (3) years, at the end of the third year, refile a new Automatic Shelf Registration Statement covering the Registrable Securities, and, if at any time when the Company is required to re-evaluate its WKSI status the Company determines that it is not a WKSI, use its best efforts to refile the Shelf Registration Statement on Form S-3 and, if such form is available, keep such registration statement effective during the period during which such registration statement is required to be kept effective.

(b) Automatic Shelf Registration Statements. If the Company intends to file any Automatic Shelf Registration Statement for the benefit of the holders of any of its securities other than the Holders, the Company shall give the Holders at least ten (10) days prior notice of such intended filing. The Company agrees that, if requested by Holders of a majority of Investor Registrable Securities to include their Registrable Securities in such Automatic Registration Statement (such request to be delivered within five (5) days of receipt of notice of the intended filing), then the Company will include in such Automatic Shelf Registration Statement such disclosures as may be required by Rule 430B in order to ensure that the Holders of Registrable Securities may be added to such Shelf Registration Statement at a later time through the filing of a prospectus supplement rather than a post-effective amendment. If the Company has filed any Automatic Shelf Registration Statement for the benefit of the holders of any of its securities other than the Holders, the Company shall, at the request of Holders of a majority of Investor Registrable Securities, file any post-effective amendments necessary to include therein all disclosure and language necessary to ensure that the holders of Registrable Securities may be added to such Shelf Registration Statement.

(c) Additional Information. The Company may require each seller of Registrable Securities as to which any registration is being effected to furnish the Company such information regarding such seller and the distribution of such securities as the Company may from time to time reasonably request in writing, as a condition to such seller's participation in such registration.

(d) In-Kind Distributions. If an Investor (and/or any of their Affiliates) seeks to effectuate an in-kind distribution of all or part of their Registrable Securities to their respective direct or indirect equityholders, the Company will, subject to any applicable lock-ups and compliance with applicable securities law requirements, work with the foregoing persons to facilitate such in-kind distribution in the manner reasonably requested.

(e) Suspended Distributions. Each Person participating in a registration hereunder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 4(a)(vi), such Person will immediately discontinue the disposition of its Registrable Securities pursuant to the registration statement until such Person's receipt of the copies of a supplemented or amended prospectus as contemplated by Section 4(a)(vi).

(f) Other. To the extent that any of the Investors is or may be deemed to be an "underwriter" of Registrable Securities pursuant to any SEC comments or policies, the Company agrees that (i) the indemnification and contribution provisions contained in Section 6 shall be applicable to the benefit of such Investor in their role as an underwriter or deemed underwriter in addition to their capacity as a holder and (2) such Investor shall be entitled to conduct the due diligence which they would normally conduct in connection with an offering of securities registered under the Securities Act, including without limitation receipt of customary opinions and comfort letters addressed to such Investor.

Section 5 Registration Expenses. Except as expressly provided herein, all out-of-pocket expenses incurred by the Company in connection with the performance of or compliance with this Agreement and/or in connection with any Demand Registration, Piggyback Registration or Shelf Offering, whether or not the same shall become effective, shall be paid by the Company, including, without limitation, (i) all registration and filing fees, and any other fees and expenses associated with filings required to be made with the SEC or FINRA, (ii) all fees and expenses in connection with compliance with any securities or "blue sky" laws, (iii) all printing, duplicating, word processing, messenger, telephone, facsimile and delivery expenses (including expenses of printing certificates for the Registrable Securities in a form eligible for deposit with The Depository Trust Company or other depositary and of printing prospectuses and Company Free Writing Prospectuses), (iv) all fees and disbursements of counsel for the Company and of all independent certified public accountants of the Company (including the expenses of any special audit and cold comfort letters required by or incident to such performance), (v) Securities Act liability insurance or similar insurance if the Company so desires or the underwriters so require in accordance with then-customary underwriting practice, (vi) all fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange on which similar securities of the Company are then listed (or on which exchange the Registrable Securities are proposed to be listed in the case of a Company IPO), (vii) all applicable rating agency fees with respect to the Registrable Securities, (viii) all reasonable fees and disbursements of one legal counsel for selling Holders selected by the holders of a majority of Registrable Securities included in such registration, together with any necessary local counsel as may be required as selected by such majority Holders, in an aggregate amount not to exceed $50,000, (ix) any reasonable fees and disbursements of underwriters customarily paid by issuers of securities, (x) all reasonable fees and expenses of any special experts or other Persons retained by the Company, in connection with any registration, (xi) all of the Company's internal expenses (including all salaries and expenses of its officers and employees performing legal or accounting duties) and (xii) all reasonable expenses of the Company related to the "road show" for any underwritten offering, including all travel, meals and lodging. All such expenses are referred to herein as "Registration Expenses." The Company shall not be required to pay, and each Person that sells securities pursuant to a Demand Registration, Shelf Offering or Piggyback Registration hereunder will bear and pay, all underwriting discounts and commissions applicable to the Registrable Securities sold for such Person's account and all capital gains, income and transfer taxes (if any) attributable to the sale of Registrable Securities.

Section 6 Indemnification and Contribution.

(a) By the Company. The Company will indemnify and hold harmless, to the fullest extent permitted by law and without limitation as to time, each Holder, such Holder's officers, directors employees, agents, fiduciaries, stockholders, partners, members, affiliates, consultants, and representatives, and successors and assigns thereof, and each Person who controls such holder (within the meaning of the Securities Act) (the "Indemnified Parties") against all losses, claims, actions, damages, liabilities and expenses (including with respect to actions or proceedings, whether commenced or threatened, and including reasonable attorney fees and expenses) (collectively, "Losses") caused by, resulting from, arising out of, based upon or related to any of the following (each, a "Violation") by the Company: (i) any untrue or alleged untrue statement of material fact contained in (A) any registration statement, prospectus, preliminary prospectus or Free Writing Prospectus, or any amendment thereof or supplement thereto or (B) any application or other document or communication (in this Section 6, collectively called an "application") executed by or on behalf of the Company or based upon written information furnished by or on behalf of the Company filed in any jurisdiction in order to qualify any securities covered by such registration under the "blue sky" or securities laws thereof, (ii) any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading or (iii) any violation or alleged violation by the Company of the Securities Act or any other similar federal or state securities laws or any rule or regulation promulgated thereunder applicable to the Company and relating to action or inaction required of the Company in connection with any such registration, qualification or compliance. Notwithstanding the foregoing, the Company will not be liable in any such case to the extent that any such Losses (i) result from, arise out of, are based upon, or relate to an untrue statement, or omission, made in such registration statement, any such prospectus, preliminary prospectus or Free Writing Prospectus or any amendment or supplement thereto, or in any application, in reliance upon, and in conformity with, written information prepared and furnished in writing to the Company by such Indemnified Party expressly for use therein or by such Indemnified Party's failure to deliver a copy of the registration statement or prospectus or any amendments or supplements thereto after the Company has furnished such Indemnified Party with copies of the same or (ii) result from, arise out of, are based upon, or relate to an untrue statement, or omission, in a preliminary prospectus relating to Registrable Securities, if a prospectus (as then amended or supplemented) that would have cured the defect was furnished to the Indemnified Party from whom the Person asserting the claim giving rise to such Loss purchased Registrable Securities at least five (5) days prior to the written confirmation of the sale of the Registrable Securities to such Person and a copy of such prospectus (as amended and supplemented) was not sent or given by or on behalf of such Indemnified Party to such Person at or prior to the written confirmation of the sale of the Registrable Securities to such Person. In connection with an underwritten offering, the Company will indemnify such underwriters, their officers and directors, and each Person who controls such underwriters (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the Indemnified Parties or as otherwise agreed to in the underwriting agreement executed in connection with such underwritten offering. Such indemnity and reimbursement of expenses shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of such securities by such seller.

(b) By Holders. In connection with any registration statement in which a Holder is participating, each such Holder will furnish to the Company in writing such information and affidavits as the Company reasonably requests for use in connection with any such registration statement or prospectus and, to the extent permitted by law, will indemnify the Company, its officers, directors, employees, agents and representatives, and each Person who controls the Company (within the meaning of the Securities Act) against any Losses resulting from (as determined by a final and appealable judgment, order or decree of a court of competent jurisdiction) any untrue statement of material fact contained in the registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or any omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or omission is contained in any information or affidavit so furnished in writing by such Holder expressly for use therein; provided that the obligation to indemnify will be individual, not joint and several, for each holder and will be limited to the net amount of proceeds received by such Holder from the sale of Registrable Securities pursuant to such registration statement. The Company shall be entitled to receive customary indemnities from underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution, to the same extent as provided above (with appropriate modification) with respect to information furnished in writing by such Persons specifically for inclusion in any prospectus or registration Statement.

(c) Claim Procedure. Any Person entitled to indemnification hereunder will (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided that the failure to give prompt notice will impair any Person's right to indemnification hereunder only to the extent such failure has prejudiced the indemnifying party) and (ii) unless in such indemnified party's reasonable judgment (based on advice of its counsel) a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party will not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent will not be unreasonably withheld, conditioned or delayed). An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest (based on advice of its counsel) may exist between such indemnified party and any other of such indemnified parties with respect to such claim. In such instance, the conflicted indemnified parties will have a right to retain one separate counsel, chosen by holders of a majority of the Registrable Securities, at the expense of the indemnifying party.

(d) Contribution. If the indemnification provided for in this Section 6 is held by a court of competent jurisdiction to be unavailable to, or is insufficient to hold harmless, an indemnified party or is otherwise unenforceable with respect to any Loss referred to herein, then such indemnifying party will contribute to the amounts paid or payable by such indemnified party as a result of such Loss, (i) in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other hand in connection with the statements or omissions which resulted in such Loss as well as any other relevant equitable considerations or (ii) if the allocation provided by clause (i) of this Section

6(d) is not permitted by applicable law, then in such proportion as is appropriate to reflect not only such relative fault but also the relative benefit of the Company on the one hand and of the sellers of Registrable Securities and any other sellers participating in the registration statement on the other in connection with the statement or omissions which resulted in such Losses, as well as any other relevant equitable considerations; provided that the maximum amount of liability in respect of such contribution will be limited, in the case of each seller of Registrable Securities, to an amount equal to the net proceeds actually received by such seller from the sale of Registrable Securities effected pursuant to such registration. The relative fault of the indemnifying party and of the indemnified party will be determined by reference to, among other things, whether the untrue (or, as applicable alleged) untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just or equitable if the contribution pursuant to this Section 6(d) were to be determined by pro rata allocation or by any other method of allocation that does not take into account such equitable considerations. The amount paid or payable by an indemnified party as a result of the Losses referred to herein will be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending against any action or claim which is the subject hereof. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who is not guilty of such fraudulent misrepresentation.

(e) Release. No indemnifying party will, except with the consent of the indemnified party (which shall not be unreasonably withheld or delayed), consent to the entry of any judgment or enter into any settlement that does not include as an unconditional term thereof giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

(f) Non-exclusive Remedy; Survival. The indemnification and contribution provided for under this Agreement will be in addition to any other rights to indemnification or contribution that any indemnified party may have pursuant to law or contract and will remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party and will survive the transfer of Registrable Securities and the termination or expiration of this Agreement.

Section 7 Cooperation with Underwritten Offerings. No Person may participate in any underwritten registration hereunder unless such Person (i) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Person or Persons entitled hereunder to approve such arrangements (including, without limitation, pursuant to the terms of any over-allotment or "green shoe" option requested by the underwriters; provided that no Holder will be required to sell more than the number of Registrable Securities such Holder has requested to include in such registration) and (ii) completes, executes and delivers all questionnaires, powers of attorney, stock powers, custody agreements, indemnities, underwriting agreements and other documents and agreements required under the terms of such underwriting arrangements or as may be reasonably requested by the Company and the lead managing underwriter(s). To the extent that any such agreement is entered into pursuant to, and consistent with, Section 3 and/or this Section 7, the respective rights and obligations created

under such agreement will supersede the respective rights and obligations of the Holders, the Company and the underwriters created thereby with respect to such registration.

Section 8 Corporate Conversion. Following the conversion of the Company to a corporation, or other series of reorganizational transactions resulting in a corporate successor to the Company for purposes of the Company IPO, the IPO Entity will succeed to all of the rights and obligations of, and be deemed for all purposes hereof to be, the Company hereunder.

Section 9 Joinder; Additional Parties; Transfer of Registrable Securities.

(a) Joinder. The Company may from time to time (with the prior written consent of Investors representing a majority of the Investor Registrable Securities) permit any person who acquires Common Stock or Derivative Securities (or rights to acquire Common Stock or Derivative Securities) to become a party to this Agreement and to entitled to and be bound by all of the rights and obligations as a Holder by obtaining an executed joinder to this Agreement from such Person in the form of Exhibit B attached hereto (a "Joinder"). Upon the execution and delivery of a Joinder by such Person, such Person shall be deemed the category of Holder (i.e. Investor or Other Holder), in each case as set forth on the signature page to such Joinder.

(b) Restrictions on Transfers. Prior to transferring any Registrable Securities to any Person (including, without limitation, by operation of law), the transferring Holder must first cause the prospective transferee to execute and deliver to the Company a Joinder, except as otherwise permitted by the LLC Agreement.

Section 10 General Provisions.

(a) Current Public Information. At all times after the Company has filed a registration statement with the SEC pursuant to the requirements of either the Securities Act or the Exchange Act, the Company will file all reports required to be filed by it under the Securities Act and the Exchange Act to the extent required to enable Holders to sell Registrable Securities (or securities that would be Registrable Securities but for the final sentence of the definition of Registrable Securities) pursuant to Rule 144.

(b) Business days. If any time period for giving notice or taking action hereunder expires on a day that is not a business day, the time period will automatically be extended to the business day immediately following such Saturday, Sunday or legal holiday.

(c) Further Assurances. In connection with this Agreement and the transactions contemplated hereby, each Holder agrees to execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and the transactions contemplated hereby.

(d) No Recourse. Notwithstanding anything to the contrary in this Agreement, the Company and each Holder agrees and acknowledges that no recourse under this Agreement or any documents or instruments delivered in connection with this Agreement, will be had against any current or future director, officer, employee, general or limited partner or member of any Holder or any Affiliate or assignee thereof, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable

law, it being expressly agreed and acknowledged that no personal liability whatsoever will attach to, be imposed on or otherwise be incurred by any current or future officer, agent or employee of any Holder or any current or future member of any Holder or any current or future director, officer, employee, partner or member of any Holder or of any Affiliate or assignee thereof, as such for any obligation of any Holder under this Agreement or any documents or instruments delivered in connection with this Agreement for any claim based on, in respect of or by reason of such obligations or their creation.

(e) No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction will be applied against any party.

(f) Other General Provisions. Article XIV (Dispute Resolution), Section 15.1 (Notices), Section 15.2 (Section Headings), Section 15.4 (Severability), Section 15.5 (Governing Law), Section 15.7 (Counterpart Execution), Section 15.8 (Parties in Interest), Section 15.9 (Entire Agreement), Section 15.10 (Construction of Agreement), Section 15.11 (Gender), Section 15.14 (Specific Performance) and Section 15.15 (Amendment) of the LLC Agreement are hereby incorporated herein by reference, *mutatis mutandis*.

* * * * *

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as of the date first written above.

SDC FINANCIAL, LLC

By: _____

Its: _____

[Signature Page to Registration Rights Agreement]

INVESTORS:

By: _____
Name: _____
Its: _____
Address: _____
_____

By: _____
Name: _____
Its: _____
Address: _____
_____

By: _____
Name: _____
Its: _____
Address: _____
_____

[Signature Page to Registration Rights Agreement]

EXHIBIT A

DEFINITIONS

Capitalized terms used in this Agreement have the meanings set forth in the LLC Agreement and, to the extent not defined therein, below.

"Adverse Disclosure" means public disclosure of material non-public information that, in the Board of Directors' good faith judgment, after consultation with independent outside counsel to the Company, (i) would be required to be made in any registration statement or report filed with the SEC by the Company so that such registration statement would not be misleading; (ii) would not be required to be made at such time but for the filing of such registration statement or report; and (iii) the Company has a bona fide business purpose for not disclosing publicly and public disclosure of such material non-public information would be materially harmful to the interests of the Company.

"Affiliate" has the meaning set forth in the LLC Agreement; provided that the Company and its Subsidiaries will not be deemed to be Affiliates of any holder of Registrable Securities.

"Agreement" has the meaning set forth in the recitals.

"Automatic Shelf Registration Statement" has the meaning set forth in Section 1(a).

"Common Stock" means shares of common stock of the IPO Entity.

"Company" has the meaning set forth in the preamble and shall include its successor(s).

"Company IPO" means the initial Public Offering by the IPO Entity of its Common Stock.

"Demand Registrations" has the meaning set forth in Section 1(a).

"Derivative Securities" means securities issued by the IPO Entity which are convertible into, are exchangeable or exercisable for, or may be settled in, Common Stock.

"End of Suspension Notice" has the meaning set forth in Section 1(f)(ii).

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor federal law then in force, together with all rules and regulations promulgated thereunder.

"Excluded Registration" means (a) unless otherwise consented to by the Company, the Company IPO and (b) any registration (i) pursuant to a Demand Registration (which is instead addressed in Section 1(a)), (ii) in connection with registrations on Form S-4 or S-8 promulgated by the SEC or any successor or similar forms), (iii) a registration of securities

solely relating to an offering and sale to employees or directors of the Company pursuant to any employee stock plan or other employee benefit plan or arrangement, (iv) pursuant to a registration by which the Company is offering to exchange its own securities for other securities, (v) pursuant to a registration statement relating solely to a dividend reinvestment or similar plan, (vi) pursuant to a registration statement by which only the initial purchasers and subsequent transferees of debt securities of the Company or any of its subsidiaries that are convertible or exchangeable for Common Stock and that are initially issued pursuant to an applicable exemption from the registration requirements of the Securities Act may resell such notes and sell the Common Stock into which such notes may be converted or exchanged or (vii) on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of Registrable Securities or that does not permit the registration of Registrable Securities.

"Expiration Date" means the three (3) year anniversary of the closing date of the Company IPO.

"FINRA" means the Financial Industry Regulatory Authority.

"Free Writing Prospectus" means a free-writing prospectus, as defined in Rule 405.

"Holdback Period" has the meaning set forth in Section 3(a).

"Indemnified Parties" has the meaning set forth in Section 6(a).

"Investors" has the meaning set forth in the recitals.

"Investor Registrable Securities" means (i) any Common Stock held (directly or indirectly) by an Investor or any of its Affiliates and any Common Stock issuable upon the exercise or conversion of any Derivative Securities held (directly or indirectly) by any Investor or any of its Affiliates), and (ii) any equity securities of the Company or any Subsidiary issued or issuable with respect to the securities referred to in clause (i) above by way of dividend, distribution, split or combination of securities, or any recapitalization, merger, consolidation or other reorganization.

"IPO Entity" means the corporate successor to the Company.

"Joinder" has the meaning set forth in Section 9(a).

"LLC Agreement" means the Amended and Restated Operating Agreement of SDC Financial, LLC, dated as of August 17, 2018, as amended or modified from time to time.

"Long-Form Registrations" has the meaning set forth in Section 1(a).

"Losses" has the meaning set forth in Section 6(a).

"Other Holders" has the meaning set forth in the recitals.

"Other Registrable Securities" means (i) any Common Stock held (directly or indirectly) by any Other Holder or any of its Affiliates and any Common Stock issuable upon the exercise or conversion of any Derivative Securities held (directly or indirectly) by any Other Holder or any of its Affiliates), and (ii) any equity securities of the Company or any Subsidiary issued or issuable with respect to the securities referred to in clause (i) above by way of dividend, distribution, split or combination of securities, or any recapitalization, merger, consolidation or other reorganization.

"Piggyback Registrations" has the meaning set forth in Section 2(a). "Preferred Units" means the Series A Preferred Units of the Company.

"Public Offering" means any sale or distribution by the Company, one of its Subsidiaries and/or Holders to the public of Common Stock pursuant to an offering registered under the Securities Act.

"Registrable Securities" means Investor Registrable Securities and Other Registrable Securities. As to any particular Registrable Securities, such securities will cease to be Registrable Securities when they have been (a) sold or distributed pursuant to a Public Offering, (b) sold in compliance with Rule 144 (or any similar or analogous rule promulgated under the Securities Act) under the Securities Act following the consummation of a Company IPO, (c) distributed to the direct or indirect partners or members of an Other Investor, (d) repurchased by the Company or a Subsidiary of the Company, (e) such Registrable Securities shall have been otherwise transferred and such securities may be publicly resold without registration under the Securities Act and (f) on the first date following the Expiration Date where such Registrable Securities could be sold by the applicable Holder under Rule 144(b)(iv) (or any similar or analogous rule promulgated under the Securities Act) without limitation under any of the other requirements of Rule 144. For purposes of this Agreement, a Person will be deemed to be a holder of Registrable Securities, and the Registrable Securities will be deemed to be in existence, whenever such Person has the right to acquire, directly or indirectly, such Registrable Securities (upon conversion or exercise in connection with a transfer of securities or otherwise, but disregarding any restrictions or limitations upon the exercise of such right), whether or not such acquisition has actually been effected, and such Person will be entitled to exercise the rights of a holder of Registrable Securities hereunder (it being understood that a holder of Registrable Securities may only request that Registrable Securities in the form of Common Stock be registered pursuant to this Agreement).

"Registration Expenses" has the meaning set forth in Section 5.

"Rule 144", "Rule 158", "Rule 405" and "Rule 415" mean, in each case, such rule promulgated under the Securities Act (or any successor provision) by the SEC, as the same will be amended from time to time, or any successor rule then in force.

"Sale Transaction" has the meaning set forth in Section 3(a).

"SEC" means the United States Securities and Exchange Commission.

"Securities" has the meaning set forth in Section 3(a).

"Shelf Offering" has the meaning set forth in Section 1(d)(i).

"Shelf Offering Notice" has the meaning set forth in Section 1(d)(i).

"Shelf Registrable Securities" has the meaning set forth in Section 1(d)(i).

"Shelf Registration" has the meaning set forth in Section 1(a).

"Shelf Registration Statement" has the meaning set forth in Section 1(d).

"Short-Form Registrations" has the meaning set forth in Section 1(a).

"Suspension Event" has the meaning set forth in Section 1(f)(ii).

"Suspension Notice" has the meaning set forth in Section 1(f)(ii).

"Suspension Period" has the meaning set forth in Section 1(f)(i).

"Underwritten Public Offering" means an underwritten Public Offering, including any bought deal or block sale to a financial institution conducted as an underwritten Public Offering.

"Violation" has the meaning set forth in Section 6(a).

"WKSI" means a "well-known seasoned issuer" as defined under Rule 405.

EXHIBIT B

The undersigned is executing and delivering this Joinder pursuant to the Registration Rights Agreement dated as of August 17, 2018 (as amended, modified and waived from time to time, the "Registration Agreement"), among SDC Financial, LLC, a Tennessee limited liability company (the "Company"), and the other persons named as parties therein (including pursuant to other Joinders). Capitalized terms used herein have the meaning set forth in the Registration Agreement.

By executing and delivering this Joinder to the Company, the undersigned hereby agrees to become a party to, to be bound by, and to comply with the provisions of, the Registration Agreement as a Holder in the same manner as if the undersigned were an original signatory to the Registration Agreement, and the undersigned will be deemed for all purposes to be a Holder, an [Investor // Other Holder thereunder] and the undersigned's shares of [Common Stock // Derivative Securities] will be deemed for all purposes to be [Investor // Other] Registrable Securities under the Registration Agreement.

Accordingly, the undersigned has executed and delivered this Joinder as of the day of , 20 .

_____
Signature

_____
Print Name

Address: _____

_____

_____

Agreed and Accepted as of

, 20 :

SDC FINANCIAL, LLC

By: _____
Its: _____

Exhibit 5.1

September 5, 2019

SmileDirectClub, Inc.
414 Union Street
Nashville, Tennessee 37219

Re: SmileDirectClub, Inc.
Registration Statement on Form S-1

Ladies and Gentlemen:

We have acted as special counsel to SmileDirectClub, Inc., a Delaware corporation (the "Company"), in connection with the public offering by the Company of up to 67,317,550 shares of Class A common stock, par value $.0001 per share ("Common Stock"), of the Company (including up to 8,780,550 shares of Common Stock subject to an over-allotment option) (the "Shares").

This opinion is being furnished in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act of 1933, as amended (the "Securities Act").

In rendering the opinions stated herein, we have examined and relied upon the following:

(a) the registration statement on Form S-1 (File No. 333-233315) of the Company relating to the Shares, filed on August 16, 2019 with the Securities and Exchange Commission (the "Commission") under the Securities Act and Pre-Effective Amendments No. 1 through No. 2 thereto, including the information deemed to be a part of the registration statement pursuant to Rule 430A of the General Rules and Regulations under the Securities Act (the "Rules and Regulations") (such registration statement, as so amended, being hereinafter referred to as the "Registration Statement");

(b) the prospectus, dated September 3, 2019 (the "Prospectus"), which forms a part of and is included in the Registration Statement;

(c) the form of the Underwriting Agreement (the "Underwriting Agreement") proposed to be entered into among the Company, SDC Financial LLC, a Tennessee limited liability company, and J.P. Morgan Securities LLC and Citigroup Global Markets Inc., as representatives of the several Underwriters named therein (the "Underwriters"), relating to the sale by the Company to the Underwriters of the Shares, filed as Exhibit 1.1 to the Registration Statement;

(d) an executed copy of a certificate of Susan Greenspon Rammelt, Secretary of the Company, dated the date hereof (the "Secretary's Certificate");

(e) a copy of the Company's Certificate of Incorporation as in effect as of the date hereof and certified by the Secretary of State of the State of Delaware as of April 11, 2019, and certified pursuant to the Secretary's Certificate;

(f) the form of the Company's Amended and Restated Certificate of Incorporation, to be in effect immediately prior to the consummation of the offering of the Shares and filed as Exhibit 3.1 to the Registration Statement;

(g) a copy of the Company's By-laws, as in effect as of the date hereof and certified pursuant to the Secretary's Certificate;

(h) the form of the Company's Amended and Restated By-laws, to be in effect immediately prior to the consummation of the offering of the Shares and filed as Exhibit 3.2 to the Registration Statement;

(i) a copy of certain resolutions of the Board of Directors of the Company, adopted on August 6, 2019, August 16 and August 29, 2019, certified pursuant to the Secretary's Certificate; and

(j) a copy of certain resolutions of the sole stockholder of the Company, adopted on September 5, 2019, certified pursuant to the Secretary's Certificate.

We have also examined originals or copies, certified or otherwise identified to our satisfaction, of such records of the Company and such agreements, certificates and receipts of public officials, certificates of officers or other representatives of the Company and others, and such other documents as we have deemed necessary or appropriate as a basis for the opinions stated below, including the facts and conclusions set forth in the Secretary's Certificate and the factual representations and warranties contained in the Underwriting Agreement.

In our examination, we have assumed the genuineness of all signatures, including endorsements, the legal capacity and competency of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as facsimile, electronic, certified or photocopy copies, and the authenticity of the

originals of such copies. As to any facts relevant to the opinions stated herein that we did not independently establish or verify, we have relied upon statements and representations of officers and other representatives of the Company and others and of public officials, including the factual representations and warranties set forth in the Underwriting Agreement.

We do not express any opinion with respect to the laws of any jurisdiction other than the General Corporation Law of the State of Delaware (the "DGCL").

Based upon the foregoing and subject to the qualifications and assumptions stated herein, we are of the opinion that when (i) the Registration Statement, as finally amended (including all necessary post-effective amendments), has become effective under the Securities Act; (ii) the Underwriting Agreement has been duly authorized, executed and delivered by the Company and the other parties thereto; (iii) the Amended and Restated Certificate of Incorporation of the Company has been filed with the Secretary of State of the State of Delaware, the Company's Amended and Restated By-laws have become effective and the Board of Directors of the Company, including any appropriate committee appointed thereby, has taken all necessary corporate action to approve the issuance and sale of the Shares and related matters, including the price per share of the Shares, and (iv) the Shares are registered in the Company's share registry and delivered upon payment of the consideration therefor determined by the Board of Directors, the Shares, when issued and sold in accordance with the provisions of the Underwriting Agreement, will be duly authorized by all requisite corporate action on the part of the Company under the DGCL and validly issued, fully paid and nonassessable, provided that the consideration therefor is not less than $0.0001 per Share.

We hereby consent to the reference to our firm under the heading "Legal Matters" in the prospectus forming part of the Registration Statement. We also hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the Rules and Regulations.

Very truly yours,

/s/ Skadden, Arps, Slate, Meagher & Flom LLP

DJG

Exhibit 10.1

FORM OF INDEMNIFICATION AGREEMENT

This Indemnification Agreement is effective as of [·], 2019, (this "**Agreement**") and is between SmileDirectClub, Inc., a Delaware corporation (the "**Company**"), and the undersigned director/officer of the Company (the "**Indemnitee**").

Background

The Company believes that, in order to attract and retain highly competent persons to serve as directors or in other capacities, including as officers, it must provide such persons with adequate protection through indemnification against the risks of claims and actions against them arising out of their services to and activities on behalf of the Company.

The Company desires and has requested Indemnitee to serve as a director and/or officer of the Company and, in order to induce the Indemnitee to serve in such capacity, the Company is willing to grant the Indemnitee the indemnification provided for herein. Indemnitee is willing to so serve on the basis that such indemnification be provided.

The parties by this Agreement desire to set forth their agreement regarding indemnification and the advancement of expenses.

In consideration of Indemnitee's service to the Company and the covenants and agreements set forth below, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows.

Section 1. Indemnification.

To the fullest extent permitted by the General Corporation Law of the State of Delaware (the "**DGCL**"):

(a) The Company shall indemnify Indemnitee if Indemnitee was or is made or is threatened to be made a party to, or is otherwise involved in, as a witness or otherwise, any threatened, pending or completed action, suit or proceeding (brought in the right of the Company or otherwise), whether civil, criminal, administrative or investigative and whether formal or informal, including appeals, by reason of the fact that Indemnitee is or was or has agreed to serve as a director, officer, employee or agent of the Company, or while serving as a director or officer of the Company, is or was serving or has agreed to serve at the request of the Company as a director, officer, employee or agent (which, for purposes hereof, shall include a trustee, fiduciary, partner or manager or similar capacity) of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise, or by reason of any action alleged to have been taken or omitted in any such capacity.

(b) The indemnification provided by this Section 1 shall be from and against all loss and liability suffered and expenses (including attorneys' fees), judgments, fines and

amounts paid in settlement actually and reasonably incurred by or on behalf of Indemnitee in connection with such action, suit or proceeding, including any appeals.

Section 2. **Advance Payment of Expenses**. To the fullest extent permitted by the DGCL, expenses (including attorneys' fees) incurred by Indemnitee in appearing at, participating in or defending any action, suit or proceeding or in connection with an enforcement action as contemplated by Section 3(e), shall be paid by the Company in advance of the final disposition of such action, suit or proceeding within 30 days after receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time. The Indemnitee hereby undertakes to repay any amounts advanced (without interest) to the extent that it is ultimately determined that Indemnitee is not entitled under this Agreement to be indemnified by the Company in respect thereof. No other form of undertaking shall be required of Indemnitee other than the execution of this Agreement. This Section 2 shall be subject to Section 3(b) and shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 6.

Section 3. **Procedure for Indemnification; Notification and Defense of Claim**.

(a) Promptly after receipt by Indemnitee of notice of the commencement of any action, suit or proceeding, Indemnitee shall, if a claim in respect thereof is to be made against the Company hereunder, notify the Company in writing of the commencement thereof. The failure to promptly notify the Company of the commencement of the action, suit or proceeding, or of Indemnitee's request for indemnification, will not relieve the Company from any liability that it may have to Indemnitee hereunder, except to the extent the Company is actually and materially prejudiced in its defense of such action, suit or proceeding as a result of such failure. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request therefor including such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to enable the Company to determine whether and to what extent Indemnitee is entitled to indemnification.

(b) With respect to any action, suit or proceeding of which the Company is so notified as provided in this Agreement, the Company shall, subject to the last two sentences of this paragraph, be entitled to assume the defense of such action, suit or proceeding, with counsel reasonably acceptable to Indemnitee, upon the delivery to Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any subsequently-incurred fees of separate counsel engaged by Indemnitee with respect to the same action, suit or proceeding unless the employment of separate counsel by Indemnitee has been previously authorized in writing by the Company. Notwithstanding the foregoing, if Indemnitee, based on the advice of his or her counsel, shall have reasonably concluded (with written notice being given to the Company setting forth the basis for such conclusion) that, in the conduct of any such defense, there is or is reasonably likely to be a conflict of interest or position between the Company and Indemnitee with respect to a significant issue, then the Company will not be entitled, without the written consent of Indemnitee, to assume such defense. In addition, the Company will not be entitled, without the written consent of Indemnitee, to assume the defense of any claim brought by or in the right of the Company.

(c) To the fullest extent permitted by the DGCL, the Company's assumption of the defense of an action, suit or proceeding in accordance with paragraph (b) above will constitute an irrevocable acknowledgement by the Company that any loss and liability suffered by Indemnitee and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement by or for the account of Indemnitee incurred in connection therewith are indemnifiable by the Company under Section 1 of this Agreement.

(d) The determination whether to grant Indemnitee's indemnification request shall be made promptly and in any event within 30 days following the Company's receipt of a request for indemnification in accordance with Section 3(a). If the Company determines that Indemnitee is entitled to such indemnification or, as contemplated by paragraph (c) above, the Company has acknowledged such entitlement, the Company will make payment to Indemnitee of the indemnifiable amount within such 30 day period. If the Company is not deemed to have so acknowledged such entitlement or the Company's determination of whether to grant Indemnitee's indemnification request shall not have been made within such 30 day period, the requisite determination of entitlement to indemnification shall, subject to Section 6, nonetheless be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under the DGCL.

(e) In the event that (i) the Company determines in accordance with this Section 3 that Indemnitee is not entitled to indemnification under this Agreement, (ii) the Company denies a request for indemnification, in whole or in part, or fails to respond or make a determination of entitlement to indemnification within 30 days following receipt of a request for indemnification as described above, (iii) payment of indemnification is not made within such 30 day period, (iv) advancement of expenses is not timely made in accordance with Section 2, or (v) the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Indemnitee the benefits provided or intended to be provided to Indemnitee hereunder, Indemnitee shall be entitled to an adjudication in any court of competent jurisdiction of his or her entitlement to such indemnification or advancement of expenses. Indemnitee's expenses (including attorneys' fees) incurred in connection with successfully establishing Indemnitee's right to indemnification or advancement of expenses, in whole or in part, in any such proceeding or otherwise shall also be indemnified by the Company to the fullest extent permitted by the DGCL.

(f) Indemnitee shall be presumed to be entitled to indemnification and advancement of expenses under this Agreement upon submission of a request therefor in accordance with Section 2 or Section 3 of this Agreement, as the case may be. The Company shall have the burden of proof in overcoming such presumption, and such presumption shall be used as a basis for a determination of entitlement to indemnification and advancement of expenses unless the Company overcomes such presumption by clear and convincing evidence.

Section 4. **Insurance and Subrogation**.

(a) The Company shall use its reasonable best efforts to purchase and maintain a policy or policies of insurance with reputable insurance companies with A.M. Best ratings of "A" or better, providing Indemnitee with coverage for any liability asserted against, and incurred by, Indemnitee or on Indemnitee's behalf by reason of the fact that Indemnitee is or was or has agreed to serve as a director, officer, employee or agent of the Company, or while serving as a director or officer of the Company, is or was serving or has agreed to serve at the request of the Company as a director, officer, employee or agent (which, for purposes hereof, shall include a trustee, fiduciary, partner or manager or similar capacity) of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise, or arising out of Indemnitee's status as such, whether or not the Company would have the power to indemnify Indemnitee against such liability under the provisions of this Agreement. Such insurance policies shall have coverage terms and policy limits at least as favorable to Indemnitee as the insurance coverage provided to any other director or officer of the Company. If the Company has such insurance in effect at the time the Company receives from Indemnitee any notice of the commencement of an action, suit or proceeding, the Company shall give prompt notice of the commencement of such action, suit or proceeding to the insurers in accordance with the procedures set forth in the policy. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policy.

(b) Subject to Section 9(b), in the event of any payment by the Company under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee with respect to any insurance policy. Indemnitee shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights in accordance with the terms of such insurance policy. The Company shall pay or reimburse all expenses actually and reasonably incurred by Indemnitee in connection with such subrogation.

(c) Subject to Section 9(b), the Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder (including, but not limited to, judgments, fines and amounts paid in settlement, and excise taxes or penalties relating to the Employee Retirement Income Security Act of 1974, as amended) if and to the extent that Indemnitee has otherwise actually received such payment under this Agreement or any insurance policy, contract, agreement or otherwise.

Section 5. **Certain Definitions**. For purposes of this Agreement, the following definitions shall apply:

(a) The term "**action, suit or proceeding**" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed claim, action, suit, arbitration, alternative dispute mechanism or proceeding, whether civil, criminal, administrative or investigative.

(b) The term "**by reason of the fact that Indemnitee is or was or has agreed to serve as a director, officer, employee or agent of the Company, or while serving as a director or officer of the Company, is or was serving or has agreed to serve at the request of the Company as a director, officer, employee or agent (which, for purposes hereof, shall include a trustee, partner or manager or similar capacity) of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise**" shall be broadly construed and shall include, without limitation, any actual or alleged act or omission to act.

(c) The term "**expenses**" shall be broadly construed and shall include, without limitation, all direct and indirect costs of any type or nature whatsoever (including, without limitation, all attorneys' fees and related disbursements, appeal bonds, other out-of-pocket costs and reasonable compensation for time spent by Indemnitee for which Indemnitee is not otherwise compensated by the Company or any third party), actually and reasonably incurred by Indemnitee in connection with either the investigation, defense or appeal of an action, suit or proceeding or establishing or enforcing a right to indemnification under this Agreement or otherwise incurred in connection with a claim that is indemnifiable hereunder.

(d) The term "**judgments, fines and amounts paid in settlement**" shall be broadly construed and shall include, without limitation, all direct and indirect payments of any type or nature whatsoever, as well as any penalties or excise taxes assessed on a person with respect to an employee benefit plan).

Section 6. Limitation on Indemnification.

Notwithstanding any other provision herein to the contrary, the Company shall not be obligated pursuant to this Agreement:

(a) Claims Initiated by Indemnitee. To indemnify or advance expenses to Indemnitee with respect to an action, suit or proceeding (or part thereof), however denominated, initiated by Indemnitee, other than (i) an action, suit or proceeding brought to establish or enforce a right to indemnification or advancement of expenses under this Agreement (which shall be governed by the provisions of Section 6(b) of this Agreement) and (ii) an action, suit or proceeding (or part thereof) that was authorized or consented to by the board of directors of the Company, it being understood and agreed that such authorization or consent shall not be unreasonably withheld in connection with any compulsory counterclaim brought by Indemnitee in response to an action, suit or proceeding otherwise indemnifiable under this agreement.

(b) Action for Indemnification. To indemnify Indemnitee for any expenses incurred by Indemnitee with respect to any action, suit or proceeding instituted by Indemnitee to enforce or interpret this Agreement, unless Indemnitee is successful in such action, suit or proceeding in establishing Indemnitee's right, in whole or in part, to indemnification or advancement of expenses hereunder (in which case such indemnification or advancement shall be to the fullest extent permitted by the DGCL), or unless and to the extent that the court in such action, suit or proceeding shall determine that, despite Indemnitee's failure to establish his or her right to indemnification, Indemnitee is entitled to indemnification for such expenses; provided, however, that nothing in this Section 6(b) is intended to limit the Company's obligations with

respect to the advancement of expenses to Indemnitee in connection with any such action, suit or proceeding instituted by Indemnitee to enforce or interpret this Agreement, as provided in Section 2 hereof.

(c) Section 16(b) Matters. To indemnify Indemnitee on account of any suit in which judgment is rendered against Indemnitee for disgorgement of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended.

(d) Fraud or Willful Misconduct. To indemnify Indemnitee on account of conduct by Indemnitee where such conduct has been determined by a final (not interlocutory) judgment or other adjudication of a court or arbitration or administrative body of competent jurisdiction as to which there is no further right or option of appeal or the time within which an appeal must be filed has expired without such filing to have been knowingly fraudulent or constitute willful misconduct.

(e) Prohibited by Law. To indemnify Indemnitee in any circumstance where such indemnification has been determined by a final (not interlocutory) judgment or other adjudication of a court or arbitration or administrative body of competent jurisdiction as to which there is no further right or option of appeal or the time within which an appeal must be filed has expired without such filing to be prohibited by law.

Section 7. Certain Settlement Provisions. The Company shall have no obligation to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any action, suit or proceeding without the Company's prior written consent. The Company shall not settle any action, suit or proceeding in any manner that would impose any fine or other obligation on Indemnitee without Indemnitee's prior written consent. Neither the Company nor Indemnitee will unreasonably withhold his, her, its or their consent to any proposed settlement.

Section 8. Savings Clause. If any provision or provisions (or portion thereof) of this Agreement shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Indemnitee if Indemnitee was or is made or is threatened to be made a party or is otherwise involved in any threatened, pending or completed action, suit or proceeding (brought in the right of the Company or otherwise), whether civil, criminal, administrative or investigative and whether formal or informal, including appeals, by reason of the fact that Indemnitee is or was or has agreed to serve as a director, officer, employee or agent of the Company, or while serving as a director or officer of the Company, is or was serving or has agreed to serve at the request of the Company as a director, officer, employee or agent (which, for purposes hereof, shall include a trustee, partner or manager or similar capacity) of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, from and against all loss and liability suffered and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement reasonably incurred by or on behalf of Indemnitee in connection with such action, suit or proceeding, including any appeals, to the fullest extent permitted by any applicable portion of this Agreement that shall not have been invalidated.

Section 9. Contribution/Jointly Indemnifiable Claims.

(a) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for herein is held by a court of competent jurisdiction to be unavailable to Indemnitee in whole or in part, it is agreed that, in such event, the Company shall, to the fullest extent permitted by the DGCL, contribute to the payment of all of Indemnitee's loss and liability suffered and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement reasonably incurred by or on behalf of Indemnitee in connection with any action, suit or proceeding, including any appeals, in an amount that is just and equitable in the circumstances; provided, that, without limiting the generality of the foregoing, such contribution shall not be required where such holding by the court is due to any limitation on indemnification set forth in Section 4(c), 6 (other than clause (e)) or 7 hereof.

(b) Given that certain jointly indemnifiable claims may arise due to the service of the Indemnitee as a director and/or officer of the Company at the request of the Indemnitee-related entities, the Company acknowledges and agrees that the Company shall be fully and primarily responsible for the payment to the Indemnitee in respect of indemnification or advancement of expenses in connection with any such jointly indemnifiable claim, pursuant to and in accordance with the terms of this Agreement, irrespective of any right of recovery the Indemnitee may have from the Indemnitee-related entities. Under no circumstance shall the Company be entitled to any right of subrogation against or contribution by the Indemnitee-related entities and no right of advancement, indemnification or recovery the Indemnitee may have from the Indemnitee-related entities shall reduce or otherwise alter the rights of the Indemnitee or the obligations of the Company hereunder. In the event that any of the Indemnitee-related entities shall make any payment to the Indemnitee in respect of indemnification or advancement of expenses with respect to any jointly indemnifiable claim, the Indemnitee-related entity making such payment shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee against the Company, and Indemnitee shall execute all papers reasonably required and shall do all things that may be reasonably necessary to secure such rights, including the execution of such documents as may be necessary to enable the Indemnitee-related entities effectively to bring suit to enforce such rights. The Company and Indemnitee agree that each of the Indemnitee-related entities shall be third-party beneficiaries with respect to this Section 9(b), entitled to enforce this Section 9(b) as though each such Indemnitee-related entity were a party to this Agreement. For purposes of this Section 9(b), the following terms shall have the following meanings:

(i) The term "**Indemnitee-related entities**" means any corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise (other than the Company or any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise Indemnitee has agreed, on behalf of the Company or at the Company's request, to serve as a director, officer, employee or agent and which service is covered by the indemnity described in this Agreement) from whom an Indemnitee may be entitled to indemnification or advancement of expenses with respect to which, in whole or in part, the Company may also have an indemnification or advancement obligation (other than as a result of obligations under an insurance policy).

(ii) The term "**jointly indemnifiable claims**" shall be broadly construed and shall include, without limitation, any action, suit or proceeding for which the Indemnitee shall be entitled to indemnification or advancement of expenses from both the Indemnitee-related entities and the Company pursuant to the DGCL, any agreement or the certificate of incorporation, bylaws, partnership agreement, operating agreement, certificate of formation, certificate of limited partnership or comparable organizational documents of the Company or the Indemnitee-related entities, as applicable.

Section 10. **Form and Delivery of Communications**. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered by hand, upon receipt by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier, one day after deposit with such courier and with written verification of receipt or (d) sent by email or facsimile transmission, with receipt of oral or written confirmation that such transmission has been received. Notice to the Company shall be directed to Susan Greenspon Rammelt, General Counsel, by email at susan.greenspon@smiledirectclub.com or by telephone at 615-601-3541. Notice to Indemnitee shall be directed to Indemnitee's contact information on file with the Company's Secretary or its Chief People Officer.

Section 11. **Nonexclusivity**. The provisions for indemnification and advancement of expenses set forth in this Agreement shall not be deemed exclusive of any other rights which Indemnitee may have under any provision of law, in any court in which a proceeding is brought, other agreements or otherwise, and Indemnitee's rights hereunder shall inure to the benefit of the heirs, executors and administrators of Indemnitee. No amendment or alteration of the Company's Certificate of Incorporation or Bylaws or any other agreement shall adversely affect the rights provided to Indemnitee under this Agreement.

Section 12. **No Construction as Employment Agreement**. Nothing contained herein shall be construed as giving Indemnitee any right to be retained as a director of the Company or in the employ of the Company. For the avoidance of doubt, the indemnification and advancement of expenses provided under this Agreement shall continue as to the Indemnitee even though he may have ceased to be a director, officer, employee or agent of the Company.

Section 13. **Interpretation of Agreement**. It is understood that the parties hereto intend this Agreement to be interpreted and enforced so as to provide indemnification to Indemnitee to the fullest extent now or hereafter permitted by the DGCL.

Section 14. **Entire Agreement**. This Agreement and the documents expressly referred to herein constitute the entire agreement between the parties hereto with respect to the matters covered hereby, and any other prior or contemporaneous oral or written understandings or agreements with respect to the matters covered hereby are expressly superseded by this Agreement.

Section 15. **Modification and Waiver**. No supplement, modification, waiver or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute

a waiver of any other provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver. For the avoidance of doubt, this Agreement may not be terminated by the Company without Indemnitee's prior written consent.

Section 16. **Successor and Assigns**. All of the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the parties hereto and their respective successors, assigns, heirs, executors, administrators and legal representatives. The Company shall require and cause any direct or indirect successor (whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of such Indemnitor, by written agreement in form and substance reasonably satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

Section 17. **Service of Process and Venue**. The Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "**Delaware Court**"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) appoint, to the extent such party is not otherwise subject to service of process in the State of Delaware, irrevocably Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808 as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

Section 18. **Governing Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware. If a court of competent jurisdiction shall make a final determination that the provisions of the law of any state other than Delaware govern indemnification by the Company of Indemnitee, then the indemnification provided under this Agreement shall in all instances be enforceable to the fullest extent permitted under such law, notwithstanding any provision of this Agreement to the contrary.

Section 19. **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument, notwithstanding that both parties are not signatories to the original or same counterpart.

Section 20. **Headings**. The section and subsection headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

This Agreement has been duly executed and delivered to be effective as of the date first above written.

Company:	**Indemnitee:**
SMILEDIRECTCLUB, INC.	
By: _____	By: _____
Name:	Name:
Title:	Title:

[SmileDirectClub, Inc. — Signature Page to Indemnification Agreement]

Exhibit 10.2

FORM OF
SDC FINANCIAL LLC

a Delaware Limited Liability Company

SEVENTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

THE UNITS DESCRIBED AND REPRESENTED BY THIS LIMITED LIABILITY COMPANY AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY APPLICABLE STATE SECURITIES LAWS AND ARE RESTRICTED SECURITIES AS THAT TERM IS DEFINED IN RULE 144 UNDER THE SECURITIES ACT.

THE UNITS MAY NOT BE OFFERED FOR SALE, SOLD, PLEDGED OR OTHERWISE TRANSFERRED AT ANY TIME EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR QUALIFICATION UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER, OR PREEMPTION OF, THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, THE AVAILABILITY OF WHICH IS TO BE ESTABLISHED TO THE SATISFACTION OF THE COMPANY, AND IN COMPLIANCE WITH THE OTHER SUBSTANTIAL RESTRICTIONS ON TRANSFERABILITY SET FORTH HEREIN.

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SDC FINANCIAL LLC
SEVENTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

This Seventh Amended and Restated Limited Liability Company Agreement of SDC Financial LLC, a Delaware limited liability company (the "**Company**"), dated as of September [·], 2019 (the "**Effective Date**"), is entered into by and among the Members (as defined below).

WHEREAS, unless the context otherwise requires, capitalized terms have the respective meanings ascribed to them in Article I;

WHEREAS, the Company was formed as a Tennessee limited liability company with the name "SDC Financial LLC" by the filing of Articles of Organization with the Secretary of State of the State of Tennessee, pursuant to and in accordance with the Tennessee Act, and the execution by the Pre-IPO Members party thereto of the Operating Agreement of the Company, dated as of January 31, 2018, which was subsequently amended and restated by the Second Amended and Restated Operating Agreement, dated as of August 20, 2018, the Third Amended and Restated Operating Agreement, dated as of October 12, 2018, the Fourth Amended and Restated Operating Agreement, dated as of October 26, 2018, the Fifth Amended and Restated Operating Agreement, dated as of January 31, 2019, and the Sixth Amended and Restated Operating Agreement, dated as of [·], 2019, each by and among the Company and the Pre-IPO Members party thereto;

WHEREAS, pursuant to that certain Contribution and Exchange Agreement, dated as of January 31, 2018, between the Company, SmileDirectClub, LLC, a Tennessee limited liability company ("**SDC LLC**") and the Pre-IPO Members party thereto who were previously members of SDC LLC, such Pre-IPO Members transferred all of their membership units in SDC LLC to the Company in exchange for corresponding membership units in the Company;

WHEREAS, in connection with a series of transactions effected in connection with the contemplated IPO, on September [·], 2019, the Company was converted into a Delaware limited liability company with the name "SDC Financial LLC" by the filing of a Certificate of Conversion with the Secretary of State of the State of Tennessee, pursuant to and in accordance with the Tennessee Act, and the filing of a Certificate of Conversion and the Certificate with the Secretary of State of the State of Delaware, each pursuant to and in accordance with the Delaware Act;

WHEREAS, the Pre-IPO Members have approved the initial public offering (the "**IPO**") of shares Class A common stock, par value $0.0001 per share ("**Class A Shares**") of SDC Inc. and, in connection therewith, pursuant to a Recapitalization, Contribution and Exchange Agreement, dated as of the Effective Date, the Company's capital structure is being reclassified to consist only of Common Units; and

WHEREAS, the Pre-IPO Members have authorized SDC Inc., as Manager, to adopt this Agreement immediately prior to the closing of the IPO without the consent or approval of any other Members.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and each of the Members, intending to be legally bound, hereby agree as follows:

ARTICLE I

DEFINED TERMS

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement:

"**AAA**" has the meaning set forth in Section 15.12(c).

"**Additional Funds**" has the meaning set forth in Section 3.3(a).

"**Additional Member**" means a Person who is admitted to the Company as a Member pursuant to the Delaware Act and Section 12.2, who is shown as such on the books and records of the Company, and who has not ceased to be a Member pursuant to the Delaware Act and this Agreement.

"**Acquired Percentage**" has the meaning set forth in Section 11.1(b).

"**Adjusted Capital Account Balance**" means a Capital Account of any Member as of the end of any Taxable Year, subject to the following adjustments:

(a) reduction for any items described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5), and (6); and

(b) increase for any amount such Member is obligated to contribute or is treated as being obligated to contribute to the Company pursuant to Treasury Regulations Section 1.704-1(b)(2)(ii)(c) (relating to partner liabilities to a partnership) or 1.704-2(g)(1) and 1.704-2(i) (relating to Minimum Gain).

"**Adjusted Capital Account Deficit**" means, with respect to any Member, the deficit balance, if any, in such Member's Adjusted Capital Account at the end of any Taxable Year.

"**Adjustment Factor**" means 1.0; provided, however, that in the event that:

(a) SDC Inc. (i) declares or pays a dividend on its outstanding Class A Shares wholly or partly in Class A Shares or makes a distribution to all holders of its outstanding Class A Shares wholly or partly in Class A Shares, (ii) splits or subdivides its outstanding Class A Shares or (iii) effects a reverse stock split or otherwise combines its outstanding Class A Shares into a smaller number of Class A Shares, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction, (x) the numerator of which shall be the number of Class A Shares issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination (assuming for such purposes that such dividend, distribution, split, subdivision, reverse split or combination has

occurred as of such time) and (y) the denominator of which shall be the actual number of Class A Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination;

(b) SDC Inc. distributes any rights, options or warrants to all holders of its Class A Shares to subscribe for or to purchase or to otherwise acquire Class A Shares, or other securities or rights convertible into, exchangeable for or exercisable for Class A Shares (other than Class A Shares issuable pursuant to a Qualified DRIP), at a price per share less than the Value of a Class A Share on the record date for such distribution (each a "**Distributed Right**"), then, as of the distribution date of such Distributed Rights or, if later, the time such Distributed Rights become exercisable, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction, (i) the numerator of which shall be the number of Class A Shares issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus the maximum number of Class A Shares purchasable under such Distributed Rights and (ii) the denominator of which shall be the number of Class A Shares issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus a fraction (1) the numerator of which is the maximum number of Class A Shares purchasable under such Distributed Rights, multiplied by the minimum purchase price per Class A Share under such Distributed Rights and (2) the denominator of which is the Value of a Class A Share as of the record date (or, if later, the date such Distributed Rights become exercisable); provided, however, that if any such Distributed Rights expire or become no longer exercisable, then the Adjustment Factor shall be adjusted, effective retroactive to the date of distribution (or, if later, the time the Distributed Rights become exercisable) of the Distributed Rights, to reflect a reduced maximum number of Class A Shares or any change in the minimum purchase price for the purposes of the above fraction; and

(c) SDC Inc. shall, by dividend or otherwise, distribute to all holders of its Class A Shares evidences of its indebtedness or assets (including securities, but excluding any dividend or distribution referred to in subsection (a) or (b) above), which evidences of indebtedness or assets relate to assets not received by SDC Inc. or its Subsidiaries pursuant to a pro rata distribution by the Company, then the Adjustment Factor shall be adjusted to equal the amount determined by multiplying the Adjustment Factor in effect immediately prior to the close of business as of the record date fixed for the determination of stockholders entitled to receive such distribution by a fraction (i) the numerator of which shall be such Value of a Class A Share on such record date and (ii) the denominator of which shall be the Value of a Class A Share as of such record date less the then fair market value (as determined by the Manager, whose determination shall be conclusive) of the portion of the evidences of indebtedness or assets so distributed applicable to one Class A Share.

Notwithstanding the foregoing, no adjustments to the Adjustment Factor will be made for any class or series of Units to the extent that the Company makes or effects any correlative distribution or payment to all of the Members holding Units of such class or series, or effects any correlative split or reverse split in respect of the Units of such class or series. Any adjustments to the Adjustment Factor shall become effective immediately after such event, retroactive to the record date, if any, for such event. For illustrative purposes, examples of adjustments to the Adjustment Factor are set forth on Exhibit A attached hereto.

"**Affiliate**" means, with respect to any Person, any Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "**control**" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Agreement**" means this Seventh Amended and Restated Limited Liability Company Agreement of SDC Financial LLC, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"**Annual Income Tax Liability**" means, with respect to a Member, an amount, not less than zero, equal to the product of (i) the excess of (w) the taxable income of the Company, determined without regard to any adjustments pursuant to Sections 734 and 743 of the Code, that is projected, in the good faith belief of the Managing Member, to be allocated pursuant to this Agreement for the Taxable Year to the Units held by such Member on the applicable Company Record Date, over (x) the cumulative net losses, if any, of the Company in any prior Taxable Year allocated to such Member's Units held on the applicable Company Record Date, but only to the extent not previously applied for purposes of this definition, and (ii) the sum of (y) the highest marginal U.S. federal income tax rate applicable to an individual (including, for the avoidance of doubt, the 3.8% net investment income tax or corresponding portion of self-employment tax) or corporation at the time such Annual Income Tax Liability is calculated and (z) the greater of (A) the most recently-calculated Blended Rate, as such term is defined in the Tax Receivable Agreement and calculated thereunder, provided, however, that if the Blended Rate has not been recalculated for purposes of the Tax Receivable Agreement within one (1) calendar year of the date on which the Annual Income Tax Liability is computed, the Blended Rate shall be recalculated in accordance with the terms set forth in the Tax Receivable Agreement for purposes of this clause (A), and (B) the highest marginal income tax rate, whether individual or corporate, of the State of [Michigan], measured as of the most recent calculation of the Blended Rate as provided in clause (A).

"**Appellate Rules**" has the meaning set forth in Section 15.12(c)(vi).

"**Assignee**" means a Person to whom one or more Units have been Transferred but who has not become a Substituted Member, and who has the rights set forth in Section 10.5.

"**Associated PC**" has the meaning set forth in Section 7.6(a)(i).

"**Award**" has the meaning set forth in Section 15.12(c)(iv).

"**Bankruptcy**" means, with respect to any Person, the occurrence of any event specified in Section 18-304 of the Delaware Act with respect to such Person, and the term "**Bankrupt**" has a meaning correlative to the foregoing.

"**Board of Directors**" means the Board of Directors of SDC Inc.

"**Book Value**" means, with respect to any Company property, the Company's adjusted basis for U.S. federal income tax purposes, adjusted from time to time to reflect the adjustments required or permitted by Treasury Regulations Section 1.704-1(b)(2)(iv)(d)-(g).

"**Business Day**" means any weekday, excluding any legal holiday observed pursuant to U.S. federal or New York State Law or regulation.

"**Capital Account**" means the capital account maintained for a Member in accordance with Section 5.1.

"**Capital Contribution**" means, with respect to any Member, the amount of any cash, cash equivalents, promissory obligations or the Fair Market Value of other property that such Member (or such Member's predecessor) contributes (or is deemed to contribute) to the Company pursuant to Article III.

"**Capital Share**" means a share of any class or series of stock of SDC Inc. now or hereafter authorized, other than a Common Share.

"**Cash Amount**" means an amount of cash equal to the product of (i) the Value of a Class A Share and (ii) the Class A Shares Amount determined as of the applicable Valuation Date.

"**Certificate**" means the Certificate of Formation executed and filed in the Office of the Secretary of State of the State of Delaware (and any and all amendments thereto and restatements thereof) on behalf of the Company pursuant to the Delaware Act.

"**Chosen Courts**" has the meaning set forth in Section 15.12(b).

"**Class A Share**" has the meaning set forth in the recitals to this Agreement.

"**Class A Shares Amount**" means a number of Class A Shares equal to the product of (a) the number of Tendered Units and (b) the Adjustment Factor; provided, however, that, in the event that SDC Inc. issues to all holders of Class A Shares as of a certain record date rights, options, warrants or convertible or exchangeable securities entitling SDC Inc.'s stockholders to subscribe for or purchase Class A Shares, or any other securities or property (collectively, the "**Rights**"), with the record date for such Rights issuance falling within the period starting on the date of the Notice of Redemption and ending on the day immediately preceding the Specified Redemption Date, which Rights will not be distributed before the relevant Specified Redemption Date, then the Class A Shares Amount shall also include such Rights that a holder of that number of Class A Shares would be entitled to receive, expressed, where relevant hereunder, as a number of Class A Shares determined by the Manager.

"**Class B Share**" means a share of Class B Common Stock, par value $0.0001 per share, of SDC Inc.

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended.

"**Common Share**" means a Class A Share or a Class B Share (and shall not include any additional series or class of SDC Inc.'s common stock created after the date of this Agreement).

"**Common Unit**" means a Unit representing a fractional share of ownership interest in the Company and having the rights and obligations specified with respect to Common Units in this Agreement.

"**Company**" has the meaning set forth in the preamble to this Agreement.

"**Company Employee**" means an employee of the Company or an employee of a Company Subsidiary, if any.

"**Company Record Date**" means the record date established by the Manager for the purpose of determining the Members entitled to notice of or to vote at any meeting of Members or to consent to any matter, or to receive any distribution or the allotment of any other rights, or in order to make a determination of Members for any other proper purpose, which, in the case of a record date fixed for the determination of Member entitled to receive any distribution, shall (unless otherwise determined by the Manager) generally be the same as the record date established by SDC Inc. for a distribution to its stockholders.

"**Competing Business**" means (a) any business or Person directly or indirectly engaged in owning, operating, developing, managing or providing administrative, management, marketing or other business services for the remote provision of tooth alignment apparatus or similar businesses, (b) any provider of services identical or substantially similar to the services provided by the Company and its Affiliates or in which the Company and its Affiliates engage, and (c) any business or business opportunity that the Member knows the Company or its Subsidiaries, Affiliates or Associated PCs to be pursuing or considering.

"**Confidential Information**" has the meaning set forth in Section 15.3(a).

"**Consent of the Members**" means the consent to, approval of or vote in favor of a proposed action by a Majority in Interest of the Members, which consent, approval or vote shall be obtained before the taking of any action for which it is required by this Agreement and, except as otherwise provided in this Agreement, may be given or withheld by Members in their discretion.

"**Controlled Entity**" means, as to any Person, (a) any corporation more than fifty percent (50%) of the outstanding voting stock of which is owned by such Person or such Person's Family Members or Affiliates, (b) any trust, whether or not revocable, of which such Person or such Person's Family Members or Affiliates are the sole beneficiaries, (c) any partnership of which such Person or an Affiliate of such Person is the managing partner and in which such Person or such Person's Family Members or Affiliates hold partnership interests representing at least twenty-five percent (25%) of such partnership's capital and profits, and (d) any limited liability company of which such Person or an Affiliate of such Person is the manager or managing member and in which such Person or such Person's Family Members or Affiliates hold membership interests representing at least twenty-five percent (25%) of such limited liability company's capital and profits.

"**Cut-Off Date**" means the fifth (5th) Business Day after the Manager's receipt of a Notice of Redemption.

"**Debt**" means, as to any Person, as of any date of determination, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services; (ii) all amounts owed by such Person to banks or other Persons in respect of reimbursement obligations under letters of credit, surety bonds and other similar instruments guaranteeing payment or other performance of obligations by such Person; (iii) all indebtedness for borrowed money or for the deferred purchase price of property or services secured by any lien on any property owned by such Person, to the extent attributable to such Person's interest in such property, even though such Person has not assumed or become liable for the payment thereof; and (iv) obligations of such Person as lessee under capital leases.

"**Declination**" has the meaning set forth in Section 11.1(a).

"**Delaware Act**" means the Delaware Limited Liability Company Act, 6 Del.C. §§ 18-101, *et seq.*, as it may be amended from time to time, and any successor thereto.

"**Designated Individual**" has the meaning set forth in Section 9.4(a).

"**Dispute**" has the meaning set forth in Section 15.12(c).

"**Distributed Right**" has the meaning set forth in the definition of "Adjustment Factor."

"**Distribution**" means each distribution made by the Company to the Members with respect to each Member's Units, whether in cash, property or securities of the Company and whether by liquidating distribution or otherwise; provided, however, that none of the following shall be a Distribution: (a) any recapitalization that does not result in the distribution of cash or property to Members, (b) any exchange of securities of the Company, (c) any subdivision (by Unit split or otherwise) of any outstanding Units, (d) any combination (by reverse Unit split or otherwise) of any outstanding Units, or (e) any other payment made by the Company to a Member that is not properly treated as a "distribution" for purposes of Sections 731, 732, or 733 or other applicable provisions of the Code, and the term "**Distribute**" has a meaning correlative to the foregoing.

"**Effective Date**" has the meaning set forth in the preamble to this Agreement.

"**Equity Plan**" means any plan, agreement or other arrangement that provides for the grant or issuance of equity or equity-based awards and that is now in effect or is hereafter adopted by the Company or SDC Inc. for the benefit of any of their respective employees or other service providers (including directors, advisers and consultants), or the employees or other services providers (including directors, advisers and consultants) of any of their respective Affiliates or Subsidiaries.

"**Equivalent Units**" means, with respect to any class or series of Capital Shares, Units with preferences, conversion and other rights (other than voting rights), restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption that are substantially the

same as (or correspond to) the preferences, conversion and other rights,

restrictions, limitations as to distributions, qualifications and terms and conditions of redemption of such Capital Shares as appropriate to reflect the relative rights and preferences of such Capital Shares as to the Common Shares and the other classes and series of Capital Shares as such Equivalent Units would have as to Common Units and the other classes and series of Units corresponding to the other classes of Capital Shares, but not as to matters such as voting for members of the Board of Directors that are not applicable to the Company. For the avoidance of doubt, the voting rights, redemption rights and rights to Transfer Equivalent Units need not be similar to the rights of the corresponding class or series of Capital Shares, provided, however, that with respect to redemption rights, the terms of Equivalent Units must be such so that the Company complies with Section 3.7.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

"**Fair Market Value,**" with respect to any asset, has the meaning set forth in Section 14.1.

"**Family Members**" means, as to a Person that is an individual, such Person's spouse, ancestors, descendants (whether by blood or by adoption), brothers and sisters (whether by blood or by adoption) and inter vivos or testamentary trusts of which only such Person and his spouse, ancestors, descendants (whether by blood or by adoption), brothers and sisters (whether by blood or adoption) are beneficiaries.

"**Fiscal Period**" means any interim accounting period within a Taxable Year established by the Manager and which is permitted or required by Section 706 of the Code.

"**Fiscal Year**" means the Company's annual accounting period established pursuant to Section 8.2.

"**Funding Debt**" means any Debt incurred by or on behalf of SDC Inc. for the purpose of providing funds to the Company.

"**GAAP**" means U.S. generally accepted accounting principles, consistently applied.

"**Governmental Entity**" means (a) the United States of America, (b) any other sovereign nation, (c) any state, province, district, territory or other political subdivision of (a) or (b) of this definition, including any county, municipal or other local subdivision of the foregoing, or (d) any entity exercising executive, legislative, judicial, regulatory or administrative functions of government on behalf of (a), (b) or (c) of this definition.

"**Holder**" means either (a) a Member or (b) an Assignee that owns one or more Units.

"**Imputed Underpayment Amount**" has the meaning set forth in Section 9.4(e).

"**Incapacity**" means, (a) as to any Member who is an individual, death, total physical disability or entry by a court of competent jurisdiction determining the Member to be

incompetent to manage his or her person or his or her estate; (b) as to any Member that is a corporation or limited liability company, the filing of a certificate of dissolution or cancellation, respectively, or the revocation of its charter or other equivalent formation document; (c) as to any Member that is a partnership, the dissolution and commencement of winding up of the partnership; (d) as to any Member that is an estate, the distribution by the fiduciary of the estate's entire interest in the Company; (e) as to any trustee of a trust that is a Member, the termination of the trust (but not the substitution of a new trustee); or (f) as to any Member, the bankruptcy of that Member, and the terms "**Incapacitated**" and "**Incapacitation**" have meanings correlative to the foregoing.

"**Indemnified Person**" has the meaning set forth in Section 7.3(a).

"**IPO**" has the meaning set forth in the recitals to this Agreement.

"**Joinder**" means a joinder to this Agreement, in the form attached as Exhibit B hereto.

"**Law**" means any law, statute, ordinance, rule, regulation, directive, code or order enacted, issued, promulgated, enforced or entered by any Governmental Entity.

"**Lead Tendering Party**" has the meaning set forth in Section 11.1(g)(iii)(2).

"**Liquidating Event**" has the meaning set forth in Section 13.1.

"**Liquidator**" has the meaning set forth in Section 13.2(a).

"**Lock-Up Period**" means the period commencing on the Effective Date and continuing through the date one hundred eighty (180) days after the date of the final prospectus used in connection with the IPO; provided, however, that the Manager may, by written agreement with a Holder, shorten or lengthen the Lock-Up Period applicable to such Holder, in the sole discretion of the Manager, and without having any obligation to do so for any other Holder.

"**Losses**" means items of Company loss or deduction determined according to Section 5.1(b).

"**Majority in Interest of the Members**" means Members (including the Manager) entitled to vote on or consent to any matter holding more than fifty percent (50%) of all outstanding Units held by all Members (including the Manager) entitled to vote on or consent to such matter. Unless otherwise specified, references in this definition to "Units" shall mean Common Units.

"**Manager**" means SDC Inc. or any successor Manager designated as such pursuant to this Agreement, in each case that has not ceased to be a managing member pursuant to this Agreement.

"**Market Price**" has the meaning set forth in the definition of "Value."

"**Marks**" has the meaning set forth in Section 15.6.

"**Member**" means, as of any date of determination, each of the members identified and listed on the Register as of such date, including any Person admitted to the Company as a Substituted Member or Additional Member in accordance with Article XII on or prior to such date, but, in each case, only so long as such Person is shown on the Company's books and records as the owner of one or more Units, each in its capacity as a member of the Company. The Members holding Common Units shall constitute a single class of members for all purposes of the Delaware Act.

"**Minimum Gain**" means "partnership minimum gain" determined pursuant to Treasury Regulations Section 1.704-2(d).

"**Net Losses**" means, with respect to a Fiscal Year, the excess if any, of Losses for such Fiscal Year over Profits for such Fiscal Year (excluding Profits and Losses specially allocated pursuant to Section 5.3 and Section 5.4).

"**Net Proceeds**" has the meaning set forth in Section 11.1(g)(ii).

"**Net Profits**" means, with respect to a Fiscal Year, the excess, if any, of Profits for such Fiscal Year over Losses for such Fiscal Year (excluding Profits and Losses specially allocated pursuant to Section 5.3 and Section 5.4).

"**New Securities**" means (a) any rights, options, warrants or convertible or exchangeable securities that entitle the holder thereof to subscribe for or purchase, convert such securities into or exchange such securities for, Common Shares or Preferred Shares, excluding Preferred Shares and grants under the Equity Plans, or (b) any Debt issued by SDC Inc. that provides any of the rights described in clause (a).

"**Non-Manager Member**" means each Member other than the Manager.

"**Notice of Redemption**" means the Notice of Redemption substantially in the form of Exhibit C attached hereto.

"**Offered Shares**" has the meaning set forth in Section 11.1(g)(i).

"**Offering Units**" has the meaning set forth in Section 11.1(g)(i).

"**Officer**" and "**Officers**" each have the meaning set forth in Section 6.1(b).

"**Optionee**" means a Person to whom an outstanding stock option has been granted under any Equity Plan.

"**Partnership Audit Procedures**" means Sections 6221 through 6241 of the Code and any successor statutes thereto or the Treasury Regulations promulgated thereunder.

"**Partnership Representative**" has the meaning set forth in Section 9.4(a).

"**Percentage Interest**" means, with respect to each Member, as to any class or series of Units, the fraction, expressed as a percentage, the numerator of which is the aggregate number of

Units of such class or series held by such Member and the denominator of which is the total number of Units of such class or series held by all Members. If not otherwise specified, "Percentage Interest" shall be deemed to refer to Common Units.

"**Permitted Lender Transferee**" any lender or lenders secured by a Pledge, or agents acting on their behalf, to whom one or more Units are transferred pursuant to the exercise of remedies under a Pledge and any special purpose entities owned and used by such lenders or agents for the purpose of holding any such Units.

"**Permitted Transfer**" means (i) a Transfer by a Member of one or more Units to any Permitted Transferee and (ii) a Pledge and any Transfer of one or more Units to a Permitted Transferee pursuant to the exercise of remedies under a Pledge.

"**Permitted Transferee**" means any Member and, with respect to a Member, (i) any Family Member, Controlled Entity or Affiliate of such Member, (ii) a Permitted Lender Transferee, and (iii) any Person, including any Third-Party Pledge Transferee designated by any lender or lenders secured by a Pledge, or agents acting on their behalf, to whom one or more Units are transferred pursuant to the exercise of remedies under a Pledge, whether before or after one or more Permitted Lender Transferees take title to such Units.

"**Person**" means an individual or a corporation, partnership, trust, unincorporated organization, association, limited liability company or other entity.

"**Pledge**" means a pledge by a Holder of one or more of its Units to one or more banks or lending institutions, or agents acting on their behalf, which are not Affiliates of such Holder, as collateral or security for a bona fide loan or other extension of credit.

"**Portfolio Company**" has the meaning set forth in Section 7.6(a).

"**Pre-IPO Members**" means the members of the Company prior to the Effective time.

"**Preferred Share**" means a share of stock of SDC Inc. now or hereafter authorized or reclassified that has dividend rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the Common Shares.

"**Preferred Unit**" means a Unit representing a fractional share of ownership interest in the Company of a particular class or series that the Manager has authorized pursuant to Section 3.1, 3.2 or 3.3 that has distribution rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the Common Units.

"**Pricing Agreements**" has the meaning set forth in Section 11.1(g)(iii)(2).

"**Pro rata**," "**pro rata portion**," "**according to their interests**," "**ratably**," "**proportionately**," "**proportional**," "**in proportion to**," "**based on the number of Units held**," "**based upon the percentage of Units held**," "**based upon the number of Units outstanding**," and other terms with similar meanings, when used in the context of a number of Units of a particular class or series relative to other Units of such class or series, means, with respect to

such class or series of Units, *pro rata* based upon the number of Units of such class or series, expressed as a percentage of the total number of outstanding Units of such class or series.

"**Profits**" means items of Company income and gain determined according to Section 5.1(b).

"**Qualified DRIP**" means a dividend reinvestment plan of SDC Inc. that permits participants to acquire Class A Shares using the proceeds of dividends paid by SDC Inc.; provided, however, that if such shares are offered at a discount, such discount must (i) be designed to pass along to the stockholders of SDC Inc. the savings enjoyed by SDC Inc. in connection with the avoidance of share issuance costs, and (ii) not exceed 5% of the value of a Class A Share as computed under the terms of such dividend reinvestment plan.

"**Qualified Transferee**" means an "accredited investor," as defined in Rule 501 promulgated under the Securities Act.

"**Qualifying Party**" means (a) a Member, (b) an Additional Member, or (c) an Assignee who is the transferee of one or more of a Member's Units in a Permitted Transfer, or (d) a Person, including a lending institution as the pledgee of a Pledge, who is the transferee of one or more of a Member's Units in a Permitted Transfer; provided, however, that a Qualifying Party shall not include the Manager.

"**Redemption**" has the meaning set forth in Section 11.1(a).

"**Register**" has the meaning set forth in Section 3.1.

"**Rights**" has the meaning set forth in the definition of "Class A Shares Amount."

"**Rules**" has the meaning set forth in Section 15.12(c).

"**Regulatory Allocations**" has the meaning set forth in Section 5.3(f).

"**SDC Inc.**" means SmileDirectClub, Inc., a Delaware corporation, together with its successors and permitted assigns.

"**SDC LLC**" has the meaning set forth in the recitals to this Agreement.

"**SEC**" means the U.S. Securities and Exchange Commission.

"**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"**Share Offering Funding**" has the meaning set forth in Section 11.1(g)(i).

"**Share Offering Funding Amount**" has the meaning set forth in Section 11.1(g)(2).

"**Single Funding Notice**" has the meaning set forth in Section 11.1(g)(i)(1).

"**Special Redemption**" has the meaning set forth in Section 11.1(a).

"**Specified Redemption Date**" means a date set by SDC Inc. in accordance with Section 11.1(d)(v); provided, however, that no Specified Redemption Date with respect to any Common Units shall occur during the Lock-Up Period, if any, applicable to such Common Units (except pursuant to a Special Redemption); and provided, further, that if SDC Inc. elects a Share Offering Funding pursuant to Section 11.1(g), such Specified Redemption Date shall be deferred until the next Business Day following the date of the closing of the Share Offering Funding.

"**Subsidiary**" means, with respect to any Person, any corporation, partnership, limited liability company, joint venture, trust or other legal entity of which such Person (either directly or through or together with another direct or indirect Subsidiary of such Person) (i) owns a majority of the equity interests having ordinary voting power for the election of directors or trustees or other governing body or (ii) otherwise controls the management, including through a Person's status as general partner, manager or managing member of the entity.

"**Substituted Member**" means a Person who is admitted as a Member of the Company pursuant to Section 10.4.

"**Surviving Company**" has the meaning set forth in Section 10.7(b).

"**Tax Receivable Agreement**" means that certain Tax Receivable Agreement, dated as of September [·], 2019, among SDC Inc., the Company, and each of the Members.

"**Taxable Year**" means the Company's accounting period for U.S. federal income tax purposes determined pursuant to Section 9.2.

"**Tendered Units**" has the meaning set forth in Section 11.1(a).

"**Tendering Party**" has the meaning set forth in Section 11.1(a).

"**Tennessee Act**" means the Tennessee Revised Limited Liability Company Act, 48 Tenn.C. §§ 249-101, *et seq.*, as it may be amended from time to time, and any successor thereto.

"**Termination Transaction**" means (a) a merger, consolidation or other combination involving SDC Inc., on the one hand, and any other Person, on the other hand, (b) a sale, lease, exchange or other transfer of all or substantially all of the assets of SDC Inc. not in the ordinary course of its business, whether in a single transaction or a series of related transactions, (c) a reclassification, recapitalization or change of the outstanding Class A Shares (other than a change in par value, or from par value to no par value, or as a result of a stock split, stock dividend or similar subdivision), (d) the adoption of any plan of liquidation or dissolution of SDC Inc., or (e) a Transfer of any of SDC Inc.'s Units, other than (i) a Transfer to the Company or (ii) a Transfer effected in accordance with Section 10.2(b).

"**Third-Party Pledge Transferee**" means a Qualified Transferee, other than a Permitted Lender Transferee, that acquires one or more Units pursuant to the exercise of remedies by Permitted Lender Transferees under a Pledge and that agrees to be bound by the terms and conditions of this Agreement.

"**Transaction Consideration**" has the meaning set forth in Section 10.7(a).

"**Transfer**" means any sale, assignment, bequest, conveyance, devise, gift (outright or in trust), pledge, encumbrance, hypothecation, mortgage, exchange, transfer or other disposition or act of alienation, whether voluntary or involuntary or by operation of Law; provided, however, that when the term is used in Article X, "Transfer" does not include (a) any Redemption of Common Units by the Company, or acquisition of Tendered Units by SDC Inc., pursuant to Section 11.1 or (b) any redemption of Units pursuant to any Unit Designation, and the terms "**Transferred**" and "**Transferring**" have meanings correlative to the foregoing.

"**Treasury Regulations**" means the tax regulations, including temporary regulations, promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"**Unit**" means a fractional share of ownership interest in the Company held by a Member, including any and all rights to which the Member holding such Units may be entitled as provided in this Agreement and the Delaware Act, together with all obligations of such Member to comply with the terms and provisions of this Agreement and the Delaware Act. There may be one or more classes or series of Units, including Common Units, Preferred Units or other Units.

"**Unit Designation**" has the meaning set forth in Section 3.2(a).

"**Valuation Date**" means the date of receipt by the Manager of a Notice of Redemption pursuant to Section 11.1, or such other date as specified herein, or, if such date is not a Business Day, the immediately preceding Business Day.

"**Value**" means, on any Valuation Date with respect to a Class A Share, the average of the daily Market Prices for ten (10) consecutive trading days immediately preceding the Valuation Date (except that, in lieu of such average of daily market prices, for purposes of Section 3.4 (i) in the case of an exercise of a share option under any Equity Plan, the Market Price for the trading day immediately preceding the date of exercise shall be used, and (ii) in the case of delivery of Class A Shares pursuant to restricted share units or other equity compensation plans, the Market Price on the date of such delivery shall be used). The term "**Market Price**" on any date means, with respect to any Class A Shares, the last sale price for such Class A Shares, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such Class A Shares, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the NASDAQ Global Select Market or, if such Class A Shares are not listed or admitted to trading on the NASDAQ Global Select Market, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such Class A Shares are listed or admitted to trading or, if such Class A Shares are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the principal automated quotation system that may then be in use or, if such Class A Shares are not quoted by any such system, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such Class A Shares selected by the Manager or, in the event that no trading price is available for such Class A Shares, the fair market value of the Class A Shares, as determined by SDC Inc. (whose determination shall be conclusive). In the event that the Class A Shares Amount includes Rights

(as defined in the definition of "Class A Shares Amount") that a holder of Class A Shares would be entitled to receive, then the Value of such Rights shall be determined by the Manager acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate.

"**Withdrawing Member**" has the meaning set forth in Section 11.1(g)(iii)(3).

ARTICLE II

ORGANIZATIONAL MATTERS

Section 2.1 Formation and Conversion of Company. The Company was formed as a Tennessee limited liability company on January 31, 2018 pursuant to the provisions of the Tennessee Act. The Company was converted to a Delaware limited liability company on September [·], 2019 pursuant to the provisions of the Tennessee Act and the Delaware Act by the filing of a Certificate of Conversion with the Secretary of State of the State of Tennessee and the filing of a Certificate of Conversion and the Certificate with the Secretary of State of the State of Delaware.

Section 2.2 Seventh Amended and Restated Limited Liability Company Agreement. The Members hereby execute this Agreement for the purpose of providing for the governance of the Company and its affairs and the conduct of its business in accordance with the provisions of the Delaware Act. The Members hereby agree that, during the term of the Company set forth in Section 2.7, the rights and obligations of the Members with respect to the Company will be determined in accordance with the terms and conditions of this Agreement and the Delaware Act; provided, that no provision of this Agreement shall be in violation of the Delaware Act, and, to the extent any provision of this Agreement is in violation of the Delaware Act, such provision shall be void and of no effect to the extent of such violation without affecting the validity of any other provision of this Agreement; provided, however, that where the Delaware Act provides that a provision of the Delaware Act shall apply "unless otherwise provided in a limited liability company agreement" or words of similar effect, the provisions of this Agreement shall in each instance control. On any matter upon which this Agreement is silent, the Delaware Act shall control. For the avoidance of doubt, the vote or approval required under this Agreement for any action taken by the Company shall govern and supersede any default voting standard set forth in the Delaware Act, including, without limitation, any default voting standard that requires unanimous consent of the Members.

Section 2.3 Name. The name of the Company is "SDC Financial LLC." The Manager may change the name of the Company at any time and from time to time, in accordance with applicable law. Notification of any such change shall be given to all of the Members. The Company's business may be conducted under its name or any other name or names deemed advisable by the Manager.

Section 2.4 Principal Place of Business; Other Places of Business. The address of the principal office of the Company is 414 Union Street, Nashville, Davidson County, Tennessee and may be moved to another location within or outside the State of Delaware as the Manager

may designate from time to time. The Company may have such other offices within or outside the State of Delaware as the Manager may designate from time to time.

Section 2.5 Registered Office and Resident Agent. So long as required by the Delaware Act, the Company shall continuously maintain a registered office and a designated and duly qualified agent for service of process on the Company in the State of Delaware. The registered office of the Company and the name of the resident agent are as stated in the Certificate and may be changed by the Manager in accordance with the requirements of the Delaware Act.

Section 2.6 Purpose; Powers. The nature of the business or purposes to be conducted or promoted by the Company is to engage in such activities as are permitted under applicable Law (including the Delaware Act) and determined from time to time by the Manager in accordance with the terms and conditions of this Agreement. Subject to the limitations set forth in this Agreement, the Company shall possess, and may exercise, all of the powers and privileges granted to it by the Delaware Act, by any other applicable Law or by this Agreement, together with all powers incidental thereto, so far as those powers are necessary or convenient to the conduct, promotion or attainment of the purpose of the Company.

Section 2.7 Term. The term of the Company began on the date the Certificate was filed with the Secretary of State of the State of Delaware and the Company shall continue in existence until the dissolution of the Company pursuant to this Agreement and the Delaware Act. Notwithstanding the dissolution of the Company, the existence of the Company shall continue until termination pursuant to this Agreement or as otherwise provided in the Delaware Act.

Section 2.8 No State Law Partnership. The Members do not intend for the Company to be a partnership (including a limited partnership) or joint venture under any state Law, and no Member or Manager shall be a partner or joint venturer of any other Member by reason of this Agreement for any purposes, other than under applicable federal and state tax Laws, and neither this Agreement nor any other document entered into by the Company or any Member relating to the subject matter hereof shall be construed to suggest otherwise. Each Member hereby acknowledges and agrees that, except as expressly provided herein, in performing its obligations or exercising its rights hereunder, it is acting independently and is not acting in concert with, on behalf of, as agent for, or as joint venturer or partner of, any other Member. Other than in respect of the Company, nothing contained in this Agreement shall be construed as creating a corporation, association, joint stock company, business trust, or organized group of persons, whether incorporated or not, among or involving any Member or any of their respective Affiliates, and nothing in this Agreement shall be construed as creating or requiring any continuing relationship or commitment as between such parties other than as specifically set forth herein. Notwithstanding the foregoing or anything in this Agreement to the contrary, the Members intend that the Company shall be treated as a partnership for U.S. federal, state and local tax purposes, and each Member and the Company shall file all tax returns and shall otherwise take all tax and financial reporting positions in a manner consistent with such treatment.

Section 2.9 Certificates; Filings. The Manager may execute and file any duly authorized amendments to the Certificate from time to time in a form prescribed by the Delaware

Act. The Manager shall also cause to be made, on behalf of the Company, such additional filings and recordings as the Manager shall deem necessary or advisable. If requested by the Manager, the Members shall promptly execute all certificates and other documents consistent with the terms of this Agreement necessary for the Manager to accomplish all filing, recording, publishing and other acts as may be appropriate to comply with all requirements for (a) the formation and operation of a limited liability company under the Laws of the State of Delaware, (b) if the Manager deems it advisable, the operation of the Company as a limited liability company in all jurisdictions where the Company proposes to operate, and (c) all other filings required to be made by the Company.

Section 2.10 Investment Representations of Members. Each Member hereby represents, warrants and acknowledges to the Company that: (a) such Member has such knowledge and experience in financial and business matters and is capable of evaluating the merits and risks of an investment in the Company and is making an informed investment decision with respect thereto; (b) such Member is acquiring interests in the Company for investment only and not with a view to, or for resale in connection with, any distribution to the public or public offering thereof; and (c) the execution, delivery and performance of this Agreement have been duly authorized by such Member.

ARTICLE III

CAPITALIZATION

Section 3.1 Capital Contributions. The Members as of the Effective Date (or their predecessors in interest) have heretofore made Capital Contributions to the Company. Except as provided by Law or in Section 3.2, 3.3 or 9.5, the Members shall have no obligation or, except with the prior written consent of the Manager, right to make any other Capital Contributions or any loans to the Company. The Manager shall cause to be maintained in the principal business office of the Company, or such other place as may be determined by the Manager, the books and records of the Company, which shall include, among other things, a register containing the name, address, and number and class of Units of each Member, and such other information as the Manager may deem necessary or desirable (the "**Register**"). The Register shall not be deemed part of this Agreement. The Manager shall from time to time update the Register as necessary to accurately reflect the information therein, including as a result of any sales, exchanges or other Transfers, or any redemptions, issuances or similar events involving Units. Any reference in this Agreement to the Register shall be deemed a reference to the Register as in effect from time to time. Subject to the terms of this Agreement, the Manager may take any action authorized hereunder in respect of the Register without any need to obtain the consent of any Non-Manager Member. No action of any Non-Manager Member shall be required to amend or update the Register. Except as required by Law, no Non-Manager Member shall be entitled to receive a copy of the information set forth in the Register relating to any Member other than itself.

Section 3.2 Issuances of Additional Units. Subject to the rights of any Holder set forth in a Unit Designation:

(a) General. Initially, all Units shall be designated as "Common Units." As of the Effective Date, all interests in the Company were converted into Common Units. Common

Units may be held by any Member. Except as expressly provided herein, Common Units shall entitle the Holders thereof to equal rights under this Agreement. The Members and the number of Common Units held by each Member as of the effectiveness of this Agreement is set forth in the Register. The Manager is hereby authorized to cause the Company to issue additional Units, for any Company purpose, at any time or from time to time, to the Members (including the Manager) or to other Persons, and to admit such Persons as Additional Members, for such consideration and on such terms and conditions as shall be established by the Manager, all without the approval of any Non-Manager Member or any other Person. Without limiting the foregoing, the Manager is expressly authorized to cause the Company to issue Units (i) upon the conversion, redemption or exchange of any Debt, Units, or other securities issued by the Company, (ii) for less than fair market value, (iii) for no consideration, (iv) in connection with any merger of any other Person into the Company, or (v) upon the contribution of property or assets to the Company. Any additional Units may be issued in one or more classes, or one or more series of any of such classes, with such designations, preferences, conversion or other rights, voting powers, restrictions, rights to distributions, qualifications and terms and conditions of redemption (including rights that may be senior or otherwise entitled to preference over existing Units) as shall be determined by the Manager, without the approval of any Non-Manager Member or any other Person, and set forth in a written document thereafter attached to and made an exhibit to this Agreement, which exhibit shall be an amendment to this Agreement and shall be incorporated herein by this reference (each, a "**Unit Designation**"). Except to the extent specifically set forth in any Unit Designation, a Unit of any class or series other than a Common Unit shall not entitle the holder thereof to vote on, or consent to, any matter. Upon the issuance of any additional Units, the Manager shall amend the Register and the books and records of the Company as appropriate to reflect such issuance.

(b) Issuances to SDC Inc. No additional Units shall be issued to SDC Inc. unless (i) the additional Units are issued to all Members holding Common Units in proportion to their respective Percentage Interests in the Common Units, (ii) (a) the additional Units are (x) Common Units issued in connection with an issuance of Class A Shares or (y) Equivalent Units (other than Common Units) issued in connection with an issuance of Preferred Shares, New Securities or other interests in SDC Inc. (other than Common Shares), and (b) SDC Inc. contributes to the Company the cash proceeds or other consideration received in connection with the issuance of such Common Shares, Preferred Shares, New Securities or other interests in SDC Inc., or (iii) the additional Units are issued upon the conversion, redemption or exchange of Debt, Units or other securities issued by the Company.

(c) No Preemptive Rights. Except as expressly provided in this Agreement or in any Unit Designation, no Person, including any Holder, shall have any preemptive, preferential, participation or similar right or rights to subscribe for or acquire any Units.

Section 3.3 Additional Funds and Capital Contributions.

(a) General. The Manager may, at any time and from time to time, determine that the Company requires additional funds ("**Additional Funds**") for the acquisition or development of additional assets, for the redemption of Units or for such other purposes as the Manager may determine. Additional Funds may be obtained by the Company, at the election of

the Manager, in any manner provided in, and in accordance with, the terms of this Section 3.3 without the approval of any Non-Manager Member or any other Person.

(b) Additional Capital Contributions. The Manager, on behalf of the Company, may obtain any Additional Funds by accepting Capital Contributions from any Members or other Persons. In connection with any such Capital Contribution (of cash or property), the Manager is hereby authorized to cause the Company from time to time to issue additional Units (as set forth in Section 3.2) in consideration therefor and the Percentage Interests of the Manager and the Members shall be adjusted to reflect the issuance of such additional Units.

(c) Loans by Third Parties. The Manager, on behalf of the Company, may obtain any Additional Funds by causing the Company to incur Debt to any Person (other than, except as contemplated in Section 3.3(d), SDC Inc.) upon such terms as the Manager determines appropriate, including making such Debt convertible, redeemable or exchangeable for Units; provided, however, that the Company shall not incur any such Debt if any Member would be personally liable for the repayment of such Debt (unless such Member otherwise agrees).

(d) SDC Inc. Loans. The Manager, on behalf of the Company, may obtain any Additional Funds by causing the Company to incur Debt with SDC Inc. if (i) such Debt is, to the extent permitted by Law, on substantially the same terms and conditions (including interest rate, repayment schedule, and conversion, redemption, repurchase and exchange rights) as Funding Debt incurred by SDC Inc., the net proceeds of which are loaned to the Company to provide such Additional Funds, or (ii) such Debt is on terms and conditions no less favorable to the Company than would be available to the Company from any third party; provided, however, that the Company shall not incur any such Debt if any Member would be personally liable for the repayment of such Debt (unless such Member otherwise agrees).

(e) Issuance of Securities by SDC Inc. SDC Inc. shall not issue any additional Common Shares, Preferred Shares or New Securities unless SDC Inc. contributes the cash proceeds or other consideration received from the issuance of such additional Common Shares, Preferred Shares or New Securities (as the case may be) and from the exercise of the rights contained in any such additional New Securities to the Company in exchange for (i) in the case of an issuance of Class A Shares, Common Units and (ii) in the case of an issuance of Preferred Shares or New Securities, Equivalent Units; provided, however, that notwithstanding the foregoing, SDC Inc. may issue Common Shares, Preferred Shares or New Securities (1) pursuant to Section 3.4 or 11.1(b), (2) pursuant to a dividend or distribution (including any stock split) of Common Shares, Preferred Shares or New Securities to all of the holders of Common Shares, Preferred Shares or New Securities (as the case may be), (3) upon a conversion, redemption or exchange of Preferred Shares, (4) upon a conversion, redemption, exchange or exercise of New Securities, or (5) in connection with an acquisition of Units or a property or other asset to be owned, directly or indirectly, by SDC Inc. In the event of any issuance of additional Common Shares, Preferred Shares or New Securities by SDC Inc., and the contribution to the Company, by SDC Inc., of the cash proceeds or other consideration received from such issuance, the Company shall pay SDC Inc.'s expenses associated with such issuance, including any underwriting discounts or commissions. In the event that SDC Inc. issues any additional Common Shares, Preferred Shares or New Securities and contributes the cash proceeds or other

consideration received from the issuance thereof to the Company, the Company is authorized to issue to SDC Inc. (x) a number and type of Common Units equal to the number and type of Common Shares so issued, divided by the Adjustment Factor then in effect or (y) a number of Equivalent Units that correspond to the class or series of Preferred Shares or New Securities so issued, in either case, in accordance with this Section 3.3(e) without any further act, approval or vote of any Member or any other Persons.

Section 3.4 Equity Plans.

(a) Stock Options Granted to Persons other than Company Employees. If at any time or from time to time, in connection with any Equity Plan, an option to purchase Class A Shares granted to a Person other than a Company Employee is duly exercised, the following events will be deemed to have occurred:

(i) SDC Inc. shall, as soon as practicable after such exercise, make a Capital Contribution to the Company in an amount equal to the exercise price paid to SDC Inc. by such exercising party in connection with the exercise of such stock option.

(ii) Notwithstanding the amount of the Capital Contribution actually made pursuant to Section 3.4(a)(i), SDC Inc. shall be deemed to have contributed to the Company as a Capital Contribution an amount equal to the Value of a Class A Share as of the date of exercise multiplied by the number of Class A Shares then being issued in connection with the exercise of such stock option. In exchange for such Capital Contribution, the Company shall issue a number of Common Units to SDC Inc. equal to the quotient of (x) the number of Class A Shares issued in connection with the exercise of such stock option, divided by (y) the Adjustment Factor then in effect.

(b) Stock Options Granted to Company Employees. If at any time or from time to time, in connection with any Equity Plan, an option to purchase Class A Shares granted to a Company Employee is duly exercised, the following events will be deemed to have occurred:

(i) SDC Inc. shall sell to the Company, and the Company shall purchase from SDC Inc., the number of Class A Shares as to which such stock option is being exercised. The purchase price per Class A Share for such sale of Class A Shares to the Company shall be the Value of a Class A Share as of the date of exercise of such stock option.

(ii) The Company shall sell to the Optionee (or if the Optionee is an employee or other service provider of a Company Subsidiary, the Company shall sell to such Company Subsidiary, which in turn shall sell to the Optionee), for a cash price per share equal to the Value of a Class A Share as of the date of exercise, the number of Class A Shares equal to (x) the exercise price paid to SDC Inc. by the exercising party in connection with the exercise of such stock option divided by (y) the Value of a Class A Share at the time of such exercise.

(iii) The Company shall transfer to the Optionee (or if the Optionee is an employee or other service provider of a Company Subsidiary, the Company shall

transfer to such Company Subsidiary, which in turn shall transfer to the Optionee) at no additional cost, as additional compensation, the number of Class A Shares equal to the number of Class A Shares described in Section 3.4(b)(i) less the number of Class A Shares described in Section 3.4(b)(ii).

(iv) SDC Inc. shall, as soon as practicable after such exercise, make a Capital Contribution to the Company of an amount equal to all proceeds received (from whatever source, but excluding any payment in respect of payroll taxes or other withholdings) by SDC Inc. in connection with the exercise of such stock option. In exchange for such Capital Contribution, the Company shall issue a number of Common Units to SDC Inc. equal to the quotient of (x) the number of Class A Shares issued in connection with the exercise of such stock option, divided by (y) the Adjustment Factor then in effect.

(c) Other Class A Shares Issued to Company Employees Under Equity Plans. If at any time or from time to time, in connection with any Equity Plan (other than in respect of the exercise of a stock option), any Class A Shares are issued to a Company Employee (including any Class A Shares that are subject to forfeiture in the event specified vesting conditions are not achieved and any Class A Shares issued in settlement of a restricted stock unit or similar award) in consideration for services performed for the Company or a Company Subsidiary:

(i) SDC Inc. shall issue such number of Class A Shares as are to be issued to the Company Employee in accordance with the Equity Plan.

(ii) The following events will be deemed to have occurred: (w) SDC Inc. shall be deemed to have sold such shares to the Company (or if the Company Employee is an employee or other service provider of a Company Subsidiary, to such Company Subsidiary) for a purchase price equal to the Value of such shares, (x) the Company (or such Company Subsidiary) shall be deemed to have delivered the shares to the Company Employee, (y) SDC Inc. shall be deemed to have contributed the purchase price to the Company as a Capital Contribution, and (z) in the case where the Company Employee is an employee of a Company Subsidiary, the Company shall be deemed to have contributed such amount to the capital of the Company Subsidiary.

(iii) The Company shall issue to SDC Inc. a number of Common Units equal to the number of newly issued Class A Shares divided by the Adjustment Factor then in effect in consideration for the deemed Capital Contribution described in Section 3.4(c)(ii)(y).

(d) Other Class A Shares Issued to Persons other than Company Employees Under Equity Plans. If at any time or from time to time, in connection with any Equity Plan (other than in respect of the exercise of a stock option), any Class A Shares are issued to a Person other than a Company Employee (including any Class A Shares that are subject to forfeiture in the event specified vesting conditions are not achieved and any Class A Shares issued in settlement of a restricted stock unit or similar award) in consideration for services performed for SDC Inc., the Company or a Company Subsidiary:

(i) SDC Inc. shall issue such number of Class A Shares as are to be issued to such Person in accordance with the Equity Plan.

(ii) SDC Inc. shall be deemed to have contributed the Value of such Class A Shares to the Company as a Capital Contribution, and the Company shall issue to SDC Inc. a number of newly issued Common Units equal to the number of newly issued Class A Shares divided by the Adjustment Factor then in effect.

(e) Future Stock Incentive Plans. Nothing in this Agreement shall be construed or applied to preclude or restrain SDC Inc. from adopting, modifying or terminating stock incentive plans for the benefit of employees or directors of or other service providers to SDC Inc., the Company or any of their Affiliates. The Members acknowledge and agree that, in the event that any such plan is adopted, modified or terminated by SDC Inc., the Manager shall have the power, without the Consent of the Members, to amend this Section 3.4 without any need to obtain the consent of any other Member.

(f) Issuance of Common Units. The Company is expressly authorized to issue Common Units in the numbers specified in this Section 3.4 without any further act, approval or vote of any Member or any other Persons.

Section 3.5 Stock Incentive Plan or Other Plan. Except as may otherwise be provided in this Article III, all amounts received by SDC Inc. in respect of any stock incentive or other stock or subscription plan or agreement, either (a) shall be utilized by SDC Inc. to effect open market purchases of Class A Shares, or (b) if SDC Inc. elects instead to issue new Class A Shares with respect to such amounts, shall be contributed by SDC Inc. to the Company in exchange for additional Common Units. Upon such contribution, the Company will issue to SDC Inc. a number of Common Units equal to the number of newly issued Class A Shares divided by the Adjustment Factor then in effect.

Section 3.6 No Interest; No Return. No Member shall be entitled to interest on its Capital Contribution or on such Member's Capital Account. Except as provided herein or by Law, no Member shall have any right to demand or receive the return of its Capital Contribution from the Company.

Section 3.7 Conversion or Redemption of Preferred Shares and Common Shares.

(a) Conversion of Preferred Shares. If, at any time, any Preferred Shares are converted into Common Shares, in whole or in part, then an equal number of Equivalent Units held by SDC Inc. that correspond to the class or series of Preferred Shares so converted shall automatically be converted or exchanged into a number of Common Units equal to the quotient of (i) the number of Common Shares issued upon such conversion divided by (ii) the Adjustment Factor then in effect.

(b) Redemption of Preferred Shares. If, at any time, any Preferred Shares are redeemed, repurchased or otherwise acquired (whether by exercise of a put or call, automatically or by means of another arrangement) by SDC Inc. for cash, then, immediately prior to such redemption, repurchase or acquisition of Preferred Shares, the Company shall purchase an equal number of Equivalent Units held by SDC Inc. that correspond to the class or series of Preferred

Shares so redeemed, repurchased or acquired upon the same terms and for the same price per Equivalent Unit, as such Preferred Shares are redeemed, repurchased or acquired.

(c) Redemption, Repurchase or Forfeiture of Common Shares. If, at any time, any Common Shares are redeemed, repurchased or otherwise acquired by SDC Inc. (whether upon forfeiture of any award granted under any Equity Plan, automatically or by means of another arrangement), then, immediately prior to such redemption, repurchase or acquisition of Common Shares, the Company shall redeem a number of Common Units held by SDC Inc. equal to the quotient of (i) the number of Common Shares so redeemed, repurchased or acquired, divided by (ii) the Adjustment Factor then in effect, such redemption, repurchase or acquisition to be upon the same terms and for the same price per Common Unit (after giving effect to application of the Adjustment Factor) as such Common Shares are redeemed, repurchased or acquired.

Section 3.8 Other Contribution Provisions. In the event that any Member is admitted to the Company and is given a Capital Account in exchange for services rendered to the Company, such transaction shall be treated by the Company and the affected Member as if the Company had compensated such Member in cash and such Member had contributed the cash to the capital of the Company in accordance with the principles promulgated in proposed Treasury Regulations Section 1.704-1. In addition, with the consent of the Manager, one or more Members (including the Manager) may enter into contribution agreements with the Company which have the effect of providing a guarantee of certain obligations of the Company.

ARTICLE IV

DISTRIBUTIONS

Section 4.1 Requirement and Characterization of Distributions. From time to time, as determined by the Manager, the Manager shall cause the Company to pay distributions, in such amounts as the Manager may determine, to the Holders of Common Units pro rata in accordance with their respective Percentage Interests as of the close of business on the applicable Company Record Date. Distributions payable with respect to any Units that were not outstanding during the entire period in respect of which any distribution is made (other than any Units issued to a Member in connection with the issuance of Common Shares or Capital Shares by SDC Inc.) shall be prorated based on the portion of the period that such Units were outstanding.

Section 4.2 Tax Distributions. Notwithstanding any provision in this Agreement to the contrary, the Company shall use commercially reasonable efforts to make distributions to each Member, pro rata in accordance with Members' respective Percentage Interests of Units on the applicable Company Record Date, in an amount equal to (i) an amount that is at least sufficient for each Member to pay the Annual Income Tax Liability attributable to such Member with respect to the portion of the applicable Taxable Year that has elapsed as of the date of such distribution minus (ii) the sum of all distributions previously made pursuant to this Section 4.2 with respect to the Units held by such Member as of the applicable Company Record Date with respect to such Taxable Year. All distributions made to Members pursuant to this Section 4.2 shall be treated as advance distributions and shall be taken into account in determining the amount subsequently distributed to Members under Section 4.1. The amounts distributable

pursuant to this Section 4.2 shall be calculated and distributed (a) quarterly, on an estimated basis, with respect to the portion of the Taxable Year through the end of such quarterly period, at least five (5) days prior to the date on which U.S. federal corporate estimated tax payments are due for such quarter, or (b) with respect to each Taxable Year, as soon as reasonably practicable after the end of such Taxable Year (or as soon as reasonably practicable after any event that subsequently adjusts the taxable income of such Taxable Year), provided, however, that the Company shall use commercially reasonable efforts to make any distribution pursuant to this Section 4.2 with respect to a particular quarter on a date that is at least three (3) business days prior to the Specified Redemption Date for such quarter, if applicable.

Section 4.3 Distributions in Kind. No Holder may demand to receive property other than cash as provided in this Agreement. The Manager may cause the Company to make a distribution in kind of Company assets or Units to the Holders, and such assets or Units shall be distributed in such a fashion as to ensure that the fair market value (as determined by the Manager, whose determination shall be conclusive) is distributed and allocated in accordance with Articles IV, V and IX.

Section 4.4 Amounts Withheld. All amounts withheld pursuant to the Code or any provisions of any state or local tax Law and Section 9.5 with respect to any allocation, payment or distribution to any Holder shall be treated as amounts paid or distributed to such Holder pursuant to Section 4.1, except as provided in Section 9.5.

Section 4.5 Distributions upon Liquidation. Notwithstanding the other provisions of this Article IV, upon the occurrence of a Liquidating Event, the assets of the Company shall be distributed to the holders of Units in accordance with Section 13.2 and Section 13.3.

Section 4.6 Revisions to Reflect Additional Units. In the event that the Company issues additional Units pursuant to the provisions of Article III, the Manager is hereby authorized to make such revisions to this Article IV and to Article V as it determines are necessary or desirable to reflect the issuance of such additional Units, including making preferential distributions to certain classes of Units.

Section 4.7 Restricted Distributions. Notwithstanding any provision to the contrary contained in this Agreement, neither the Company nor the Manager, on behalf of the Company, shall make a distribution to any Holder if such distribution would violate the Delaware Act or other applicable Law.

Section 4.8 Calculation of Distributions. In calculating all distributions payable to any holders of Units, the Manager shall round the amount per unit to the nearest whole cent ($0.01), with one-half cent rounded upward.

ARTICLE V

CAPITAL ACCOUNTS; ALLOCATIONS

Section 5.1 Capital Accounts.

(a) The Company shall maintain a separate Capital Account for each Member according to the rules of Treasury Regulations Section 1.704-1(b)(2)(iv). For this purpose, the Company may (as determined by the Manager), upon the occurrence of the events specified in Treasury Regulations Section 1.704-1(b)(2)(iv)(f), increase or decrease the Capital Accounts in accordance with the rules of such Treasury Regulations and Treasury Regulations Section 1.704-1(b)(2)(iv)(g) to reflect a revaluation of Company property.

(b) For purposes of computing the amount of any item of Company income, gain, loss or deduction to be allocated pursuant to this Article V and to be reflected in the Capital Accounts of the Members, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for U.S. federal income tax purposes (including any method of depreciation, cost recovery or amortization used for this purpose); provided, however, that:

(i) The computation of all items of income, gain, loss and deduction shall include those items described in Section 705(a)(l)(B) or Section 705(a)(2)(B) of the Code and Treasury Regulations Section 1.704-1(b)(2)(iv)(i), without regard to the fact that such items are not includable in gross income or are not deductible for U.S. federal income tax purposes.

(ii) If the Book Value of any Company property is adjusted pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(e) or (f), the amount of such adjustment shall be taken into account as gain or loss from the disposition of such property.

(iii) Items of income, gain, loss or deduction attributable to the disposition of Company property having a Book Value that differs from its adjusted basis for tax purposes shall be computed by reference to the Book Value of such property.

(iv) Items of depreciation, amortization and other cost recovery deductions with respect to Company property having a Book Value that differs from its adjusted basis for tax purposes shall be computed by reference to the property's Book Value in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(g).

(v) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Sections 732(d), 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis).

Section 5.2 Allocations. Except as otherwise provided in Section 5.3 and Section 5.4, Net Profits and Net Losses for any Fiscal Year or Fiscal Period shall be allocated among the Capital Accounts of the Members pro rata in accordance with their respective Percentage Interests.

Section 5.3 Regulatory Allocations.

(a) Losses attributable to partner nonrecourse debt (as defined in Treasury Regulations Section 1.704-2(b)(4)) shall be allocated in the manner required by Treasury Regulations Section 1.704-2(i). If there is a net decrease during a Taxable Year in partner nonrecourse debt minimum gain (as defined in Treasury Regulations Section 1.704-2(i)(3)), Profits for such Taxable Year (and, if necessary, for subsequent Taxable Years) shall be allocated to the Members in the amounts and of such character as determined according to Treasury Regulations Section 1.704-2(i)(4). This Section 5.3(a) is intended to be a partner nonrecourse debt minimum gain chargeback provision that complies with the requirements of Treasury Regulations Section 1.704-2(i), and shall be interpreted in a manner consistent therewith.

(b) Nonrecourse deductions (as determined according to Treasury Regulations Section 1.704-2(b)(1)) for any Taxable Year shall be allocated pro rata among the Members in accordance with their Percentage Interests. Except as otherwise provided in Section 5.3(a), if there is a net decrease in the Minimum Gain during any Taxable Year, each Member shall be allocated Profits for such Taxable Year (and, if necessary, for subsequent Taxable Years) in the amounts and of such character as determined according to Treasury Regulations Section 1.704- 2(f). This Section 5.3(b) is intended to be a minimum gain chargeback provision that complies with the requirements of Treasury Regulations Section 1.704-2(f), and shall be interpreted in a manner consistent therewith.

(c) If any Member that unexpectedly receives an adjustment, allocation or Distribution described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6) has an Adjusted Capital Account Deficit as of the end of any Taxable Year, computed after the application of Sections 5.3(a) and 5.3(b) but before the application of any other provision of this Article V, then Profits for such Taxable Year shall be allocated to such Member in proportion to, and to the extent of, such Adjusted Capital Account Deficit. This Section 5.3(c) is intended to be a qualified income offset provision as described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted in a manner consistent therewith.

(d) If the allocation of Net Losses to a Member as provided in Section 5.2 would create or increase an Adjusted Capital Account Deficit, there shall be allocated to such Member only that amount of Losses as will not create or increase an Adjusted Capital Account Deficit. The Net Losses that would, absent the application of the preceding sentence, otherwise be allocated to such Member shall be allocated to the other Members in accordance with their relative Percentage Interests, subject to this Section 5.3(d).

(e) Profits and Losses described in Section 5.1(b)(v) shall be allocated in a manner consistent with the manner that the adjustments to the Capital Accounts are required to be made pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(j), (k) and (m).

(f) The allocations set forth in Sections 5.3(a) through and including 5.3(e) (the "**Regulatory Allocations**") are intended to comply with certain requirements of Treasury Regulations Section 1.704-1(b) and Section 1.704-2 and shall be interpreted in a manner consistent therewith. The Manager may modify the manner in which Capital Accounts are computed if the Manager determines such modification is necessary to comply with the Regulatory Allocations. The Regulatory Allocations may not be consistent with the manner in

which the Members intend to allocate Profit and Loss of the Company or make Distributions. Accordingly, notwithstanding the other provisions of this Article V, but subject to the Regulatory Allocations, income, gain, deduction and loss shall be reallocated among the Members so as to eliminate the effect of the Regulatory Allocations and thereby cause the respective Capital Accounts of the Members to be in the amounts (or as close thereto as possible) they would have been if Profit and Loss (and such other items of income, gain, deduction and loss) had been allocated without reference to the Regulatory Allocations. In addition, if in any Taxable Year there is a decrease in Minimum Gain, or in partner nonrecourse debt minimum gain, and application of the minimum gain chargeback requirements set forth in Section 5.3(a) or 5.3(b) would cause a distortion in the economic arrangement among the Members, the Manager may, if it is not reasonably expected that the Company will have sufficient other income to correct such distortion, request the Internal Revenue Service to waive either or both of such minimum gain chargeback requirements. If such request is granted, this Agreement shall be applied in such instance as if it did not contain such minimum gain chargeback requirement.

Section 5.4 Final Allocations. Notwithstanding any contrary provision in this Agreement except Section 5.3, the Manager shall make appropriate adjustments to allocations of Profits and Losses to (or, if necessary, allocate items of gross income, gain, loss or deduction of the Company among) the Members upon the liquidation of the Company (within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g)), the transfer of substantially all the Units (whether by sale or exchange or merger) or sale of all or substantially all the assets of the Company, such that, to the maximum extent possible, the Capital Accounts of the Members are proportionate to their Percentage Interests. In each case, such adjustments or allocations shall occur, to the maximum extent possible, in the Taxable Year of the event requiring such adjustments or allocations.

Section 5.5 Tax Allocations.

(a) Except as otherwise provided in this Section 5.5, for U.S. federal, state and local income tax purposes, each Company item of income, gain, loss and deduction shall be allocated among the Members in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Sections 5.2, 5.3 and 5.4.

(b) Notwithstanding Section 5.5(a), each Company item of income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall be allocated among the Members in accordance with Section 704(c) of the Code so as to take account of any variation between the adjusted basis of such property to the Company for U.S. federal income tax purposes and its Book Value using the traditional method set forth in Treasury Regulations Section 1.704-3(b).

(c) If the Book Value of any Company asset is adjusted pursuant to Section 5.1(b), including adjustments to the Book Value of any Company asset in connection with the execution of this Agreement, subsequent allocations of items of taxable income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for U.S. federal income tax purposes and its Book Value using the traditional method set forth in Treasury Regulations Section 1.704-3(b).

(d) Allocations of tax credits, tax credit recapture, and any items related thereto shall be allocated to the Members as determined by the Manager, taking into account the principles of Treasury Regulations Section 1.704-1(b)(4)(ii).

(e) For purposes of determining a Member's share of the Company's "excess nonrecourse liabilities" within the meaning of Treasury Regulations Section 1.752-3(a)(3), each Member's interest in income and gain shall be determined pursuant to any proper method, as reasonably determined by the Manager in compliance with Treasury Regulations Section 1.752-3(a)(3).

(f) Allocations pursuant to this Section 5.5 are solely for purposes of U.S. federal, state and local income taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, Distributions or other Company items pursuant to any provision of this Agreement.

ARTICLE VI

MANAGEMENT

Section 6.1 Authority of Manager.

(a) Except for situations in which the approval of one or more Non-Manager Members is specifically required by this Agreement, the Manager shall have full, exclusive and complete discretion to manage and control the business and affairs of the Company, to make all decisions affecting the business and affairs of the Company and to do, or cause to be done, any and all acts at the expense of the Company, as it deems necessary or appropriate to accomplish the purposes, conduct the business and direct the affairs of the Company. The Manager shall have the power and authority to bind the Company. The Manager may expressly delegate in writing to any other Person the power and authority to bind the Company. No such delegation shall cause the Manager to cease to be a Member or the Manager of the Company. The Manager shall be an agent of the Company, and the actions of the Manager taken in such capacity and in accordance with this Agreement shall bind the Company. The Manager shall at all times be a Member. The Members hereby consent to the exercise by the Manager, except as otherwise expressly provided for in this Agreement and subject to the other provisions of this Agreement, of all such powers and rights conferred on the Members by the Delaware Act with respect to the management and control of the Company. Except as otherwise required by Law or as specifically set forth in this Agreement, the Non-Manager Members shall not participate in the control, management, direction or operation of the activities or affairs of the Company and shall have no power to act for or bind the Company. For the avoidance of doubt, no Non-Manager Member shall be agent of the Company solely by virtue of being a Non-Manager Member, and no Non-Manager Member shall have the authority to act for the Company solely by virtue of being a Non-Manager Member. Any Non-Manager Member who takes any action or binds the Company in its capacity as a Member in violation of this Section 6.1 shall be solely responsible for any loss and expense incurred by the Company as a result of the unauthorized action and shall indemnify and hold the Company harmless with respect to the loss or expense. The transaction of any such business by or on behalf of the Manager, in its capacity as such, shall not affect, impair or eliminate the limitation on the liability of the Members under this Agreement. For the

avoidance of doubt, the vote or approval required under this Agreement for any action taken by the Company shall govern and supersede any default voting standard set forth in the Delaware Act, including, without limitation, any default voting standard that requires unanimous consent of the Members.

(b) The Manager on behalf of the Company may, from time to time, employ and retain individuals as may be necessary or appropriate for the conduct of the Company's business, including employees, agents and other Persons (any of whom may be a Member) and any of whom may be designated as officers of the Company (each, an "**Officer**" and collectively, the "**Officers**"), with such titles as and to the extent authorized by the Manager. Officers need not be Members or residents of the State of Delaware. Each Officer shall hold office until his or her successor shall be duly designated and shall qualify or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time is specified, at the time of its receipt by the Manager. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation. Any Officer may be removed as such, either with or without cause at any time by the Manager. Any one Person may hold more than one office. Subject to the other provisions in this Agreement, the salaries or other compensation, if any, of the employees, agents or Officers of the Company shall be fixed from time to time by the Manager. The employees, agents or Officers shall have the responsibility to carry on the Company's business and affairs on a day-to-day basis and those other duties, authorities and responsibilities that the Manager may, from time to time, delegate. The existing Officers of the Company as of the Effective Time shall remain in their respective positions and shall be deemed to have been appointed by the Manager.

(c) The Manager shall have the power and authority to effectuate the sale, lease, transfer, exchange or other disposition of any, all or substantially all of the assets of the Company (including the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by the Company) or the merger, consolidation, reorganization, conversion or other combination of the Company with or into another entity.

(d) Only the Manager may commence a voluntary case on behalf of, or an involuntary case against, the Company under a chapter of Title 11 U.S.C. by the filing of a "petition" (as defined in 11 U.S.C. 101(42)) with the U.S. Bankruptcy Court. Any such petition filed by any other Member, to the fullest extent permitted by applicable Law, shall be deemed an unauthorized and bad faith filing and all parties to this Agreement shall use their best efforts to cause such petition to be dismissed.

Section 6.2 Transactions Between Company and Manager or Officers. The Manager may cause the Company to contract and deal with the Manager, any Affiliate of the Manager, any director (or equivalent), officer or employee of the Manager or any Officer, on such terms and for such compensation as the Manager may determine. Persons retained, engaged or employed by the Company may also be engaged, retained or employed by and act on behalf of the Manager or any of its Affiliates.

Section 6.3 Rights to Engage in Other Business. Subject to Section 7.6, any director (or equivalent), officer, employee or agent of the Manager or the Company may acquire, own, hold and dispose of Units, for his or her individual account, and may exercise all rights of a Member to the same extent and in the same manner as if he or she were not a director (or equivalent), officer, employee or agent of the Manager or the Company. Any such director (or equivalent), officer, employee or agent may be interested as a director (or equivalent), officer, trustee, stockholder, owner, partner, member, advisor or employee of, or otherwise have a direct or indirect interest in, (a) any Person who may be engaged to render advice or services to the Company, and may receive compensation from such Person as well as compensation as a director (or equivalent), officer, employee or agent of, or otherwise from, the Manager or the Company or (b) any Person to whom the Company may be engaged to render advice or services, and may receive compensation from such Person as well as compensation as a director (or equivalent), officer, employee or agent of, or otherwise from, the Manager or the Company. Any director (or equivalent), officer, employee or agent of the Manager or the Company may buy or sell property or services from or to the Company. Subject to Section 7.6, none of the foregoing positions, ownership interests or activities shall be deemed to conflict with his or her duties and powers as a director (or equivalent), officer, employee or agent of the Manager or the Company, as the case may be. For the avoidance of doubt, this Section 6.3 is not intended to supersede or modify the express terms of any written agreement between or among any director (or equivalent), officer, employee or agent of the Manager or the Company, on the one hand, and the Manager or the Company, on the other hand.

Section 6.4 Reimbursement for Expenses. The Company shall be liable for, and shall reimburse the Manager on a monthly basis, or such other basis as the Manager may determine, for all sums expended in connection with the Company's business, including (i) expenses relating to the ownership of interests in and management and operation of, or for the benefit of, the Company, (ii) compensation of officers and employees of the Manager, if any, including payments under future compensation plans of the Manager and the Company that may provide for stock units, or phantom stock, pursuant to which employees of the Manager or the Company will receive payments based upon dividends on or the value of Class A Shares, (iii) costs of indemnifying directors, officers, employees or agents of the Manager (including advancement of expenses), in their respective capacities as such, whether pursuant to the Manager's governing documents or otherwise, (iv) director fees and expenses, (v) all costs and expenses of the Manager being a public company, including costs of filings with the SEC, reports and other distributions to its stockholders and (vi) all organizational and operational expenses reasonably incurred by the Manager, including all payments, advances and other expenses in connection with any indemnity or similar obligation of the Manager. Such reimbursements shall be in addition to any reimbursement of the Manager as a result of indemnification pursuant to Section 7.3. To the extent practicable, expenses incurred by the Manager on behalf of or for the benefit of the Company shall be billed directly to and paid by the Company and, if and to the extent any reimbursements to the Manager or any of its Affiliates by the Company pursuant to this Section 6.4 constitute gross income to such Person (as opposed to the repayment of advances made by such Person on behalf of the Company), such amounts shall be treated as "guaranteed payments" within the meaning of Section 707(c) of the Code and shall not be treated as distributions for purposes of computing the Members' Capital Accounts. If at any time the Manager is different from SDC Inc., SDC Inc. shall be entitled, so long as there are Common Units outstanding that may be Redeemed pursuant to Article XI, to be reimbursed by the Company in the same manner

as the Manager pursuant to this Section 6.4. For the avoidance of doubt, distributions made under this Section 6.4 may not be used to pay dividends or distributions on equity securities of SDC Inc.

Section 6.5 Limitation of Liability.

(a) Neither the Manger nor any manager, member, director, officer, employee, agent or representative of the Manager or the Company shall be liable to the Company or any Member for money damages by reason of their service as such. Subject to its obligations and duties as the Manager set forth in the Agreement and applicable Law, the Manager may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its employees or agents, and shall not be responsible to the Company or any Member for any misconduct or negligence on the part of any such employee or agent. The Manger and the managers, members, directors, officers, employees, agent and representatives of the Manager and the Company shall be entitled to rely upon the advice of legal counsel, independent public accountants and other experts, including financial advisors, and any act of or failure to act by the Manger or any manager, member, director, officer, employee, agent or representative of the Manager or the Company, as the case may be, in good faith reliance on such advice shall in no event subject the Manager any manager, member, director, officer, employee, agent or representative of the Manager or the Company, as the case may be, to liability to the Company or any Member.

(b) Whenever in this Agreement or any other agreement contemplated herein, the Manager is permitted or required to take any action or to make a decision in its "sole discretion" or "discretion," with "complete discretion" or under a grant of similar authority or latitude, the Manager shall be entitled to consider such interests and factors as it desires, including its own interests, and shall, to the fullest extent permitted by applicable Law, have no duty or obligation to give any consideration to any interest of or factors affecting the Company or other Members.

(c) Whenever in this Agreement the Manager is permitted or required to take any action or to make a decision in its "good faith" or under another express standard, (i) the Manager shall act under such express standard and, to the extent permitted by applicable Law, shall not be subject to any other or different standards, (ii) any resolution, action or terms so made, taken or provided by the Manager shall be presumed to have been made, taken or provided in accordance with the standard set forth in this Section 6.5(c) and (iii) notwithstanding anything contained herein to the contrary, so long as the Manager acts in good faith, the resolution, action or terms so made, taken or provided by the Manager shall not constitute a breach of this Agreement or any other agreement contemplated herein or impose liability upon the Manager or any of the Manager's Affiliates.

Section 6.6 Outside Activities of the Manager. The Manager shall not, directly or indirectly, enter into or conduct any business or operations, other than in connection with (a) the ownership, acquisition and disposition of Units, (b) the management of the business and affairs of the Company and its Subsidiaries, (c) the operation of the Manager as a reporting company with a class (or classes) of securities registered under Section 12 of the Exchange Act and listed on a national securities exchange (as defined in the Exchange Act), (d) the offering, sale,

syndication, private placement or public offering of stock, bonds, securities or other interests, (e) financing or refinancing of any type related to the Company, its Subsidiaries or their assets or activities, and (f) such activities as are incidental to the foregoing; provided, however, that except as otherwise provided herein, the net proceeds of any financing raised by the Manager pursuant to the preceding clauses (d) and (e) shall be made available to the Company, whether as Capital Contributions, loans or otherwise, as appropriate, and, provided, further, that the Manager may, in its sole and absolute discretion, from time to time hold or acquire assets in its own name or otherwise other than through the Company and its Subsidiaries so long as the Manager takes commercially reasonable measures to ensure that the economic benefits and burdens of such assets are otherwise vested in the Company or its Subsidiaries, through assignment, loan or otherwise or, if it is not commercially reasonable to vest such economic interests in the Company or any of its Subsidiaries, the Members shall negotiate in good faith to amend this Agreement to reflect such activities and the direct ownership of assets by the Manager. Nothing contained herein shall be deemed to prohibit the Manager from executing any guarantee of indebtedness of the Company or its Subsidiaries.

ARTICLE VII

RIGHTS AND OBLIGATIONS OF MEMBERS

Section 7.1 Limitation of Liability and Duties of Members and Officers.

(a) Except as otherwise expressly provided in this Agreement or in the Delaware Act, no current or former Member (including a current or former Manager) or any current or former Officer shall be obligated personally for any debt, obligation or liability solely by reason of being a Member or, with respect to the Manager, acting as the Manager of the Company, or, with respect to an Officer, acting in his or her capacity as an Officer. Notwithstanding anything contained herein to the contrary, the failure of the Company to observe any formalities or requirements relating to the exercise of its powers or management of its business and affairs under this Agreement or the Delaware Act shall not be grounds for imposing personal liability on the Manager for liabilities of the Company.

(b) Notwithstanding any other provision of this Agreement (subject to Section 6.5 with respect to the Manager), to the extent that, at Law or in equity, any Member (including the Manager), any Affiliate of a Member or any manager, managing member, general partner, director (or equivalent), officer, employee, agent, fiduciary or trustee of any Member or of any Affiliate of a Member) has duties (including fiduciary duties) to the Company, to another Member, to any Person who acquires an interest in one or more Units or to any other Person bound by this Agreement, all such duties (including fiduciary duties) are hereby limited solely to those expressly set forth in this Agreement, to the fullest extent permitted by Law. The limitation of duties (including fiduciary duties) to the Company, each of the Members, each other Person who acquires an interest in one or more Units and each other Person bound by this Agreement as expressly set forth herein, if any, are approved by the Company, each of the Members, each other Person who acquires an interest in one or more Units and each other Person bound by this Agreement.

Section 7.2 No Right of Partition. No Non-Manager Member shall have the right to seek or obtain partition by court decree or operation of Law of any Company property, or the right to own or use particular or individual assets of the Company.

Section 7.3 Indemnification.

(a) The Company hereby agrees to indemnify and hold harmless any Person (each an "**Indemnified Person**") to the fullest extent permitted under the Delaware Act, as the same now exists or may hereafter be amended, substituted or replaced (but, in the case of any such amendment, substitution or replacement only to the extent that such amendment, substitution or replacement permits the Company to provide broader indemnification rights than the Company is providing immediately prior to such amendment), from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, whether or not by or in the right of the Company, in which any Indemnified Person may be involved, or is threatened to be involved, as a party or otherwise, in connection with any act or omission performed, or omitted to be performed, by such Indemnified Person by reason of the fact that such Person is or was a Member (including the Manager), is or was serving as a Partnership Representative or an officer or director (or equivalent) of the Manager or the Company, or is or was an officer or director (or equivalent) of the Manager or the Company serving at the request of the Manager or Company as an officer or director (or equivalent) of another corporation, partnership, joint venture, limited liability company, trust or other entity or which or which relates to or arises out of the Company or its property, business or affairs; provided, however, that no Person shall be indemnified and held harmless under this Section 7.3(a) in respect of a matter if (i) there has been a final and non-appealable judgment entered by a court or arbitration panel of competent jurisdiction determining that, in respect of the matter, the Indemnified Person engaged in fraud, willful misconduct, bad faith or gross negligence or (ii) such matter was initiated by such Indemnified Person unless such matter was (1) initiated to enforce such Indemnified Person's rights to indemnification under this Agreement or (2) authorized or consented to by the Manager. Expenses, including attorneys' fees, incurred by any such Indemnified Person in defending a proceeding shall be paid by the Company in advance of the final disposition of such proceeding, including any appeal therefrom, upon receipt of an undertaking by or on behalf of such Indemnified Person to repay such amount if it shall ultimately be determined that such Indemnified Person is not entitled to be indemnified by the Company.

(b) The right to indemnification and the advancement of expenses conferred in this Section 7.3 shall be in addition to any other right which any Person may have or hereafter acquire under any insurance, statute, agreement, bylaw, action by the Manager or otherwise, and shall continue as to an Indemnified Person who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnified Person.

(c) The Company may, but shall not be required to, maintain directors' and officers' liability insurance, or substantially equivalent insurance, at its expense, to protect any Person against any expense, liability or loss, including any expense, liability or loss described in

Section 7.3(a) and whether or not the Company would have the power to indemnify such Indemnified Person against such expense, liability or loss under the provisions of this Section 7.3.

(d) Any indemnification pursuant to this Section 7.3 shall be made only out of the assets of the Company and its Subsidiaries, it being agreed that the Members shall not be directly liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Company to enable it to effectuate such indemnification.

(e) An Indemnified Person shall not be denied indemnification in whole or in part under this Section 7.3 solely because the Indemnified Person had an interest in the transaction with respect to which the indemnification applies.

(f) The Company shall have the power, with the approval of the Manager, to provide indemnification and advancement of expenses to any Person who is not an Indemnified Person.

(g) The Company shall have the power, with the approval of the Manager, to enter into an agreement providing for the obligation of the Company to indemnify and advance expenses to any Person.

(h) If this Section 7.3 or any portion hereof shall be invalidated on any ground by any court or arbitration panel of competent jurisdiction, then the Company shall nevertheless indemnify and hold each Indemnified Person harmless pursuant to this Section 7.3 to the fullest extent permitted by any applicable portion of this Section 7.3 that shall not have been invalidated and to the fullest extent permitted by applicable Law.

(i) The provisions of this Section 7.3 shall be applicable to all claims, demands, actions, suits or proceedings made or commenced after the adoption thereof whether arising from acts or omissions to act occurring before or after its adoption.

(j) No amendment or other modification of any subsection of this Section 7.3, nor the inclusion of any provision inconsistent with this Section 7.3 shall adversely affect any right or protection of any Indemnified Person established pursuant to this Section 7.3 existing at the time of such amendment or other modification or inclusion of an inconsistent provision, including without limitation by eliminating or reducing the effect of this Section 7.3, for or in respect of any act, omission or other matter occurring, or any action or proceeding accruing or arising (or that, but for this Section 7.3, would accrue or arise), prior to such amendment or other modification or inclusion of an inconsistent provision.

Section 7.4 Members' Right to Act. For matters that require the approval of the Members, the Members shall act through meetings and written consents as described in paragraphs (a) and (b) below:

(a) Except as otherwise expressly provided by this Agreement, acts by Consent of the Members, voting together as a single class, shall be the acts of the Members. Any Member entitled to vote at a meeting of Members or to express consent or dissent to Company action in a written transmission without a meeting may authorize another Person or Persons to

act for it by proxy in accordance with the Delaware Act. Should a proxy designate two or more Persons to act as proxies, unless that instrument shall provide to the contrary, a majority of such Persons shall have and may exercise all the powers of voting or giving consents thereby conferred, or, if a majority do not agree on any particular issue, the Company shall not be required to recognize such proxy with respect to such issue if such proxy does not specify how the votes that are the subject of such proxy are to be voted with respect to such issue.

(b) The actions by the Members permitted hereunder may be taken at a meeting called by the Manager or by a Majority in Interest of the Members on at least forty-eight (48) hours' prior written notice to the other Members entitled to vote, which notice shall state the purpose or purposes for which such meeting is being called. The actions taken by the Members entitled to vote or consent at any meeting (as opposed to by written consent), however called and noticed, shall be as valid as though taken at a meeting duly held after regular call and notice if (but not until), either before, at or after the meeting, the Members entitled to vote or consent as to whom it was improperly held execute a written waiver of notice or a consent to the holding of such meeting or an approval of the minutes thereof. The actions by the Members entitled to vote or consent may be taken by vote of the Members entitled to vote or consent at a meeting or by written consent, so long as such consent is signed by Members having not less than the minimum Percentage Interest that would be necessary to authorize or take such action at a meeting at which all Members entitled to vote thereon were present and voted. Prompt notice of the action so taken, which shall state the purpose or purposes for which such consent is required and may be delivered via email, without a meeting shall be given to those Members entitled to vote or consent who have not consented in writing; provided, however, that the failure to give any such notice shall not affect the validity of the action taken by such written consent. Any action taken pursuant to such written consent of the Members shall have the same force and effect as if taken by the Members at a meeting thereof.

Notwithstanding the foregoing, no Non-Manager Member shall have any right to approve any matter or action taken by the Company except those matters for which approval or consent of the Members (or such Member) is expressly provided for in this Agreement.

Section 7.5 Inspection Rights. The Company shall permit each Member and each of its designated representatives to (a) visit and inspect any of the properties of the Company and its Subsidiaries, all at reasonable times and upon reasonable notice, (b) examine the business and financial records of the Company or any of its Subsidiaries and make copies thereof or extracts therefrom, and (c) consult with the Manager, and the managers, officers, employees and independent accountants of the Company or any of its Subsidiaries concerning the affairs, finances and accounts of the Company or any of its Subsidiaries.

Section 7.6 Restrictive Covenants.

(a) Except as otherwise provided herein or as otherwise consented to in writing by the Company, each Non-Manager Member and each owner of any such Non-Manager Member agrees that, so long as such Non-Manager Member remains a Member of the Company and for a period of two (2) years immediately following the date on which such Non-Manager Member ceases to be a Member, such Non-Manager Member and such Non-Manager Member's

Affiliates (including, for the avoidance of doubt, any portfolio company controlled by any such Non-Manager Member or its Affiliates) shall not, directly or indirectly:

(i) Solicit or attempt to entice away the employment of any Company Employee or other service provider of the Company or any of its Affiliates, or any licensed professional or professional entity for which the Company or any of its Affiliates provide services (each, an "**Associated PC**"), other than help wanted advertisements or recruitment efforts by any recruitment agency that are not specifically targeted at employees or contract workers of the Company, any of its Affiliates or any Associated PC, nor hire any such employee or individual who was an employee or contract worker of the Company, any of its Affiliates or any Associated PC at any time during the prior twelve (12) months, other than any individual who responds to such general solicitation or who has been terminated by the Company, any of its Affiliates or any Associated PC;

(ii) Solicit any Person who is a customer, client or patient of the Company, any of its Affiliates or any Associated PC to cease doing business with the Company, any of its Affiliates or any Associated PC, or with respect to the provision services by a Competing Business;

(iii) Unless such interference is required by applicable Law, interfere with any business relationship between the Company, any of its Affiliates or any Associated PC, on the one hand, and any of their respective customers, clients, patients, vendors, suppliers or other Persons having a business relationship therewith, on the other hand.

(iv) Make, publish or communicate to any Person or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Company, any of its Affiliates, any Associated PC or any of their businesses; provided, that this Section 7.6(a)(iv) does not, in any way, restrict or impede any Member from exercising protected rights to the extent that such rights cannot be waived by agreement or from responding truthfully and in good faith upon demand pursuant to any investigation or inquiry by a governmental authority or as required by applicable Law, subpoena, court order or other compulsory legal process, or in enforcing or defending such Member's rights. Notwithstanding the foregoing, in no event does the Company, any of its Affiliates, any Associated PC or any of their respective businesses waive any claims or causes of action it may have under applicable Law in connection with the making of such disparaging or defamatory statements by any Member;

(v) Engage in (whether as an owner, proprietor, general or limited partner, member, principal, officer, employee, consultant, director, investor, agent or otherwise), or be employed or contracted by, any Competing Business in any state in which the Company does or intends to conduct business (whether or not compensated for such services); provided, that the restriction in this Section 7.6(a)(v) shall not apply to any Member's passive ownership of (1) any interests in any exchange traded fund or mutual fund or (2) less than five percent (5%) of the securities in any publicly traded company or lending money to any such publicly traded company; nor

(vi) Except on behalf of the Company, use or operate any enterprise under the name "SmileDirectClub," "SDC Financial" or any variants thereof;

provided, that nothing in this Section 7.6 shall, except as hereinafter set forth, restrict any portfolio company that the Pre-IPO Members or their respective Affiliates does not control (each, a "**Portfolio Company**") from engaging in any activity, including a Competing Business; provided, further, that the Pre-IPO Members shall not (x) provide any of their respective Portfolio Companies with any Confidential Information, (y) cause any of their respective Portfolio Companies to breach any of the provisions of this Section 7.6, or (z) in the event it has notice of and the power or authority to prevent a Portfolio Company from engaging in such action, fail to prevent a Portfolio Company from taking any of the actions set forth in this Section 7.6(a).

(b) Each Non-Manager Member, subject to this Section 7.6, hereby expressly acknowledges and agrees that the geographic boundaries, scope of prohibited activities, and time duration set forth in this Section 7.6, as applicable to such Person, are reasonable and are no broader than are necessary to protect the legitimate business interests of the Company. Each Non-Manager Member acknowledges that its obligations under this Section 7.6 are reasonable in the context of the nature of the Company Business and the competitive injuries likely to be sustained by the Company if any Non-Manager Member were to violate such obligations. Each Non-Manager Member further acknowledges that this Agreement is made in consideration of, and is adequately supported by the agreement of the Company to perform its obligations under this Agreement and by other consideration, which each Non-Manager Member acknowledges constitutes good, valuable and sufficient consideration.

(c) If any provision or clause of this Section 7.6 is found to be in conflict with a mandatory provision of applicable Law, each Non-Manager Member agrees the conflicting provision shall be modified to conform. Each Non-Manager Member covenants and agrees that should any provision of this Section 7.6, under any circumstances, foreseen or unforeseen, including term periods and geographic areas, be deemed too broad for the intended purposes, such provision shall, nevertheless, be valid and enforceable to the extent allowed by applicable Law and such provision shall be construed by limiting and reducing it so as to be enforceable to the extent compatible with the applicable Law.

ARTICLE VIII

BOOKS, RECORDS, ACCOUNTING AND REPORTS, AFFIRMATIVE COVENANTS

Section 8.1 Records and Accounting. The Company shall keep, or cause to be kept, the books of account of the business in conformity with GAAP, together with all other appropriate books and records with respect to the Company's business, including all books and records necessary to provide any information, lists and copies of documents required pursuant to applicable Law. All matters concerning (a) the determination of the relative amount of allocations and Distributions among the Members pursuant to Articles III and IV and (b) accounting procedures and determinations, and other determinations not specifically and expressly provided for by the terms of this Agreement, shall be determined by the Manager,

whose determination shall be final and conclusive as to all of the Members absent manifest clerical error.

Section 8.2 Fiscal Year. The Fiscal Year of the Company shall end on December 31 of each year or such other date as may be established by the Manager.

ARTICLE IX

TAX MATTERS

Section 9.1 Preparation of Tax Returns. The Manager shall arrange for the preparation and timely filing of all returns with respect to the Company's income, gains, deductions, losses and other items required of the Company for federal and state income tax purposes and shall use all reasonable effort to furnish, within one hundred and eighty (180) days of the close of each Taxable Year, the tax information reasonably required by the Members and for federal and state income tax and any other tax reporting purposes. The Members shall promptly provide the Manager with such information relating to any assets contributed to the Company (excluding cash), including tax basis and other relevant information, as may be reasonably requested by the Manager from time to time.

Section 9.2 Taxable Year. The Taxable Year of the Company shall be the Fiscal Year set forth in Section 8.2, unless otherwise required by Section 706 of the Code.

Section 9.3 Tax Elections. The Manager shall file (or cause to be filed) an election pursuant to Section 754 of the Code for the Company for its first Fiscal Year and shall maintain and keep such election in effect at all times. Except as otherwise provided herein, the Manager shall determine whether to make any available election pursuant to the Code (excluding, for the avoidance of doubt, the election under Section 754 of the Code). The Manager shall have the right to seek to revoke any such election (excluding, for the avoidance of doubt, any election under Section 754 of the Code).

Section 9.4 Partnership Representative.

(a) The Manager is hereby designated to serve as the "tax matters partner" under Section 6231(a)(7) of the Code (as in effect prior to repeal of such section pursuant to the Bipartisan Budget Act, Pub.L. 144-74 (2015)) and the "partnership representative" with respect to the Company, as provided in Section 6223(a) of the Partnership Audit Procedures (in such capacities, the "**Partnership Representative**") to oversee or handle matters relating to the taxation of the Company. For each Taxable Year in which the Partnership Representative is an entity, the Company shall appoint the "designated individual" identified by the Partnership Representative to act on behalf of the Partnership Representative (the "**Designated Individual**") in accordance with the applicable Treasury Regulations. Each Member expressly consents to such designations and agrees that it will execute, acknowledge, deliver, file and record at the appropriate public offices such documents as may be necessary or appropriate to evidence such consent.

(b) The Partnership Representative shall have the sole authority to act on behalf of the Company in connection with and make all relevant decisions regarding application

of the Partnership Audit Procedures, including, but not limited to, any elections under the Partnership Audit Procedures or any decisions to settle, compromise, challenge, litigate or otherwise alter the defense of any proceeding before the Internal Revenue Service.

(c) The Members agree to cooperate in good faith to timely provide information requested by the Partnership Representative as needed to comply with the Partnership Audit Procedures, including without limitation to make any elections available to the Company under the Partnership Audit Procedures. Each Member agrees that, upon request of the Company, such Member shall take such actions as may be necessary or desirable (as determined by the Partnership Representative) to (i) allow the Company to comply with the provisions of Section 6226 of the Partnership Audit Procedures so that any "partnership adjustments" (as defined in Section 6241(2) of the Partnership Audit Procedures) are taken into account by the Members and former Members rather than the Company; (ii) use the provisions of Section 6225(c) of the Partnership Audit Procedures including, but not limited to, filing amended tax returns with respect to any "reviewed year" (within the meaning of Section 6225(d)(1) of the Partnership Audit Procedures) or using the alternative procedure to filing amended returns to reduce the amount of any partnership adjustment otherwise required to be taken into account by the Company; or (iii) otherwise allow the Company and its Members to address and respond to any matters arising under the Partnership Audit Procedures.

(d) The Partnership Representative shall keep the Non-Manager Members informed, from time to time, as to the status of any audit of the Company. The Partnership Representative shall provide to the Non-Manager Members reasonable opportunity to provide information and other input to the Company and its advisors concerning the conduct of any such portion of any audit of the Company the outcome of which is reasonably expected to materially affect the Non-Manager Members' rights and obligations under the Tax Receivable Agreement (as such term is defined therein).

(e) Notwithstanding other provisions of this Agreement to the contrary, if any partnership adjustment is determined with respect to the Company, the Partnership Representative may cause the Company to elect pursuant to Section 6226 of the Partnership Audit Procedures to have such adjustment passed through to the Members for the year to which the adjustment relates (i.e., the "reviewed year" within the meaning of Section 6225(d)(1) of the Partnership Audit Procedures). In the event that the Partnership Representative has not caused the Company to so elect pursuant to Section 6226 of the Partnership Audit Procedures, then any "imputed underpayment" (as determined in accordance with Section 6225 of the Partnership Audit Procedures) or partnership adjustment that does not give rise to an imputed underpayment shall be apportioned among the Members of the Company for the Taxable Year in which the adjustment is finalized in such manner as may be necessary (as determined by the Partnership Representative in good faith) so that, to the maximum extent possible, the tax and economic consequences of the imputed underpayment or other partnership adjustment and any associated interest and penalties (any such amount, an "**Imputed Underpayment Amount**") are borne by the Members based upon their Percentage Interests in the Company for the reviewed year. Imputed Underpayment Amounts also shall include any imputed underpayment within the meaning of Section 6225 of the Partnership Audit Procedures paid (or payable) by any entity treated as a partnership for U.S. federal income tax purposes in which the Company holds (or has held) a direct or indirect interest other than through entities treated as corporations for U.S.

federal income tax purposes to the extent that the Company bears the economic burden of such amounts, whether by Law or contract.

(f) Each Member agrees to indemnify and hold harmless the Company from and against any liability with respect to such Member's share of any tax deficiency paid or payable by the Company that is allocable to the Member as determined in accordance with the second sentence of Section 9.4(e) with respect to an audited or reviewed taxable year for which such Member was a partner in the Company. Any obligation of a Member pursuant to this Section 9.4(f) shall be implemented through adjustments to distributions otherwise payable to such Member as determined in accordance with Section 4.1; provided, however, that, at the written request of the Partnership Representative, each Member or former Member may be required to contribute to the Company such Member's Imputed Underpayment Amount imposed on and paid by the Company; provided, further, that if a Member or former Member individually directly pays, pursuant to the Partnership Audit Procedures, any such Imputed Underpayment Amount, then such payment shall reduce any offset to distribution or required capital contribution of such Member or former Member. Any amount withheld from distributions pursuant to this Section 9.4(f) shall be treated as an amount distributed to such Member or former Member for all purposes under this Agreement.

(g) All expenses incurred by the Partnership Representative or Designated Individual in connection with its duties as partnership representative or designated individual, as applicable, shall be expenses of the Company (including, for the avoidance of doubt, any costs and expenses incurred in connection with any claims asserted against the Partnership Representative or Designated Individual, as applicable, except to the extent the Partnership Representative or Designated Individual is determined to have performed its duties in the manner described in the final sentence of this Section 9.4(g)), and the Company shall reimburse and indemnify the Partnership Representative or Designated Individual, as applicable, for all such expenses and costs. Nothing herein shall be construed to restrict the Partnership Representative or Designated Individual from engaging lawyers, accountants, tax advisers, or other professional advisers or experts to assist the Partnership Representative or Designated Individual in discharging its duties hereunder. Neither the Partnership Representative nor Designated Individual shall be liable to the Company, any Member or any Affiliate thereof for any costs or losses to any persons, any diminution in value or any liability whatsoever arising as a result of the performance of its duties pursuant to this Section 9.4 absent (i) willful breach of any provision of this Section 9.4 or (ii) bad faith, fraud, gross negligence or willful misconduct on the part of the Partnership Representative or Designated Individual, as applicable.

Section 9.5 Withholding. Each Member hereby authorizes the Company to withhold from or pay on behalf of or with respect to such Member any amount of U.S. federal, state, local or foreign taxes that the Manager determines that the Company is required to withhold or pay with respect to any amount distributable or allocable to such Member pursuant to this Agreement, including any taxes required to be withheld or paid by the Company pursuant to Section 1441, Section 1442, Section 1445 or Section 1446 of the Code. Any amount paid on behalf of or with respect to a Member shall constitute a loan by the Company to such Member, with interest assessed at a rate equal to the Applicable Federal Short-Term Rate as published monthly by the Internal Revenue Service plus two percent (2%), compounded annually, which loan shall be repaid by such Member within fifteen (15) days after notice from the Manager that

such payment must be made unless (i) the Company withholds such payment from a distribution that would otherwise be made to the Member or (ii) the Manager determines that such payment may be satisfied out of the cash of the Company that would, but for such payment, be distributed to the Member. Each Member hereby unconditionally and irrevocably grants to the Company a security interest in such Member's Units to secure such Member's obligation to pay to the Company any amounts required to be paid pursuant to this Section 9.5. In the event that a Member fails to pay any amounts owed to the Company pursuant to this Section 9.5 when due, such amounts shall bear interest at the base rate on corporate loans at large U.S. money center commercial banks, as published from time to time in the Wall Street Journal, plus four (4) percentage points (but not higher than the maximum lawful rate) from the date such amount is due (i.e., fifteen (15) days after demand) until such amount is paid in full. Each Member shall take such actions as the Company or the Manager shall request in order to perfect or enforce the security interest created hereunder.

Section 9.6 Organizational Expenses. The Manager may cause the Company to elect to deduct expenses, if any, incurred by it in organizing the Company ratably over a one hundred eighty (180)-month period as provided in Section 709 of the Code.

Section 9.7 Survival. The obligations set forth in this Article IX shall survive the termination of any Member's interest in the Company, the termination of this Agreement and/or the termination, dissolution, liquidation or winding up of the Company, and shall remain binding on each Member for the period of time necessary to resolve with the Internal Revenue Service (or any other applicable taxing authority) all income tax matters relating to the Company and for Members to satisfy their indemnification obligations, if any, pursuant to this Article IX.

ARTICLE X

TRANSFERS; WITHDRAWALS

Section 10.1 Transfer.

(a) No part of the interest of a Member shall be subject to the claims of any creditor, to any spouse for alimony or support, or to legal process, and may not be voluntarily or involuntarily alienated or encumbered except as may be specifically provided for in this Agreement.

(b) No Unit shall be Transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article X. Any Transfer or purported Transfer of one or more Units not made in accordance with this Article X shall be null and void *ab initio*.

(c) No Transfer of any Unit may be made to a lender to the Company or any Person who is related (within the meaning of Treasury Regulations Section 1.752-4(b)) to any lender to the Company whose loan constitutes a nonrecourse liability (within the meaning of Treasury Regulations Section 1.752-1(a)(2)), without the consent of the Manager; provided, that as a condition to such consent, the lender will be required to enter into an arrangement with the Company and SDC Inc. to redeem or exchange for the Class A Shares Amount any Units in which a security interest is held by such lender immediately before the time at which such lender

would be deemed to be a member in the Company for purposes of allocating liabilities to such lender under Section 752 of the Code.

Section 10.2 Transfer of Manager's Units.

(a) Except as provided in Section 10.2(b), and subject to the rights of any Holder set forth in a Unit Designation, the Manager may not Transfer any of its Units without the Consent of the Members.

(b) Subject to compliance with the other provisions of this Article X, the Manager may Transfer all of its Units at any time to any Person that is, at the time of such Transfer, a direct or indirect wholly owned Subsidiary of the Manager without the consent of any Member, and may designate the transferee to become the new Manager under Article XII.

(c) The Manager may not voluntarily withdraw as a Member of the Company, except in connection with a Transfer all of the Manager's Units permitted in this Article X and the admission of the Transferee as a successor Manager of the Company pursuant to the Delaware Act and this Agreement.

(d) It is a condition to any Transfer of all of the Manager's Units otherwise permitted hereunder that (i) coincident or prior to such Transfer, the transferee is admitted as the Manager pursuant to the Delaware Act and this Agreement; (ii) the transferee assumes by operation of Law or express agreement all of the obligations of the transferor Manager under this Agreement with respect to such Transferred Units; and (iii) the transferee has executed such instruments as may be necessary to effectuate such admission and to confirm the agreement of such transferee to be bound by all the terms and provisions of this Agreement applicable to the Manager and the admission of such transferee as the Manager.

Section 10.3 Non-Manager Members' Rights to Transfer.

(a) General. Except as provided below, no Holder may Transfer any Unit without the consent of the Manager. Notwithstanding the foregoing, any Holder may, at any time, without the consent of the Manager, Transfer all or any portion of its Units pursuant to a Permitted Transfer (including, in the case of a Holder that is a Permitted Lender Transferee, any Transfer of Units to a Third-Party Pledge Transferee). Any Transfer by a Holder is subject to Section 10.4 and to satisfaction of the following conditions:

(i) Qualified Transferee. Any Transfer of any Units shall be made only to a single Qualified Transferee; provided, however, that for such purposes, all Qualified Transferees that are Affiliates, or that comprise investment accounts or funds managed by a single Qualified Transferee and its Affiliates, shall be considered together to be a single Qualified Transferee; provided, further, that each Transfer meeting the minimum Transfer restriction set forth in Section 10.3(a)(iii) may be to a separate Qualified Transferee.

(ii) Opinion of Counsel. The transferor shall deliver or cause to be delivered to the Manager an opinion of legal counsel reasonably satisfactory to the Manager to the effect that the proposed Transfer may be effected without registration

under the Securities Act and will not otherwise violate the registration provisions of the Securities Act and the regulations promulgated thereunder or violate any state securities laws or regulations applicable to the Company or the Units Transferred; provided, however, that the Manager may waive this condition upon the request of the transferor. If the Manager determines, based on the advice of counsel, that such Transfer would create a material risk of requiring the filing of a registration statement under the Securities Act or otherwise violating any federal or state securities laws or regulations applicable to the Company or the Units, the Manager may prohibit any Transfer otherwise permitted under this Section 10.3.

(iii) Minimum Transfer Restriction. Any transferor must Transfer not less than the lesser of (i) [ten thousand (10,000)] Units (as adjusted for any unit split, unit distribution, reverse unit split, reclassification or similar event, in each case with such adjustment being determined by the Manager) or (ii) all of the remaining Units owned by such transferor; provided, however, that for purposes of determining compliance with the foregoing restriction, all Units owned by Affiliates of a Holder shall be considered to be owned by such Holder.

(iv) No Further Transfers. The transferee shall not be permitted to effect any further Transfer of the Units, other than to SDC Inc. or the Company.

(v) Exception for Permitted Transfers. The conditions of Section 10.3(a)(ii) and 10.3(a)(iv) shall not apply in the case of a Permitted Transfer.

It is a condition to any Transfer otherwise permitted hereunder (whether or not such Transfer is effected during or after any applicable Lock-Up Period) that the transferee assumes by operation of Law or express agreement all of the obligations of the transferor Member under this Agreement with respect to such Transferred Units, and no such Transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the transferor are assumed by a successor corporation by operation of Law) shall relieve the transferor of its obligations under this Agreement without the approval of the Manager. Any transferee, whether or not admitted as a Substituted Member, shall take subject to the obligations of the transferor hereunder. Unless admitted as a Substituted Member, no transferee, whether by a voluntary Transfer, by operation of Law or otherwise, shall have any rights hereunder, other than the rights of an Assignee as provided in Section 10.5.

(b) Incapacity. If a Member is Incapacitated, the executor, administrator, trustee, committee, guardian, conservator or receiver of such Member's estate shall have all the rights of a Member, but not more rights than those enjoyed by other Members, for the purpose of settling or managing the estate, and such power as the Incapacitated Member possessed to Transfer all or any part of its interest in the Company. The Incapacity of a Member, in and of itself, shall not dissolve or terminate the Company.

Section 10.4 Substituted Members.

(a) No Member shall have the right to substitute a transferee other than a Permitted Transferee as a Member in its place. A transferee of the interest of a Member may be

admitted as a Substituted Member only with the consent of the Manager; provided, however, that a Permitted Transferee shall be admitted as a Substituted Member pursuant to a Permitted Transfer without the consent of the Manager, subject to compliance with the last sentence of this Section 10.4. The failure or refusal by the Manager to permit a transferee of any such interests to become a Substituted Member shall not give rise to any cause of action against the Company or the Manager. Subject to the foregoing, an Assignee shall not be admitted as a Substituted Member until and unless it furnishes to the Manager (i) an executed Joinder to this Agreement, (ii) Consent by Spouse (if applicable), and (iii) such other documents and instruments as the Manager may require to effect such Assignee's admission as a Substituted Member.

(b) Concurrently with, and as evidence of, the admission of a Substituted Member, the Manager shall amend the Register and the books and records of the Company to reflect the name, address and number of Units of such Substituted Member and to eliminate or adjust, if necessary, the name, address and number of Units of the predecessor of such Substituted Member.

(c) A transferee who has been admitted as a Substituted Member in accordance with this Article X shall have all the rights and powers and be subject to all the restrictions and liabilities of a Member under this Agreement.

Section 10.5 Assignees. If the Manager's consent is required for the admission of any transferee under Section 10.3 as a Substituted Member, as described in Section 10.4, and the Manager withholds such consent, such transferee shall be considered an Assignee for purposes of this Agreement. An Assignee shall be entitled to all the rights of an assignee of a limited liability company interest under the Delaware Act, including the right to receive distributions from the Company and the share of Net Profits, Net Losses and other items of income, gain, loss, deduction and credit of the Company attributable to the Units assigned to such transferee and the rights to Transfer the Units provided in this Article X, but shall not be deemed to be a Holder for any other purpose under this Agreement (other than as expressly provided in Section 11.1 with respect to a Qualifying Party that becomes a Tendering Party), and shall not be entitled to effect a consent or vote with respect to such Units on any matter presented to the Members for approval (such right to consent or vote, to the extent provided in this Agreement or under the Delaware Act, fully remaining with the transferor Member). In the event that any such transferee desires to make a further assignment of any such Units, such transferee shall be subject to all the provisions of this Article X to the same extent and in the same manner as any Member desiring to make an assignment of Units.

Section 10.6 General Provisions.

(a) No Member may withdraw from the Company other than: (i) as a result of a Permitted Transfer of all of such Member's Units in accordance with this Article X with respect to which the transferee becomes a Substituted Member; (ii) pursuant to a redemption (or acquisition by SDC Inc.) of all of its Units pursuant to a Redemption under Article X or Section 11.1 and/or pursuant to any Unit Designation; or (iii) as a result of the acquisition by the Company or SDC Inc. of all of such Member's Units, whether or not pursuant to Section 11.1(b).

(b) Any Member who shall Transfer all of its Units in a Transfer (i) permitted pursuant to this Article X where such transferee was admitted as a Substituted Member, (ii) pursuant to the exercise of its rights to effect a redemption of all of its Units pursuant to a Redemption under Section 11.1 and/or pursuant to any Unit Designation, or (iii) to SDC Inc., whether or not pursuant to Section 11.1(b), shall cease to be a Member.

(c) If any Unit is Transferred in compliance with the provisions of this Article X, or is redeemed by the Company, or acquired by SDC Inc. pursuant to Section 11.1, on any day other than the first day of a Fiscal Year, then Net Profits, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit attributable to such Unit for such Fiscal Year shall be allocated to the transferor Member or the Tendering Party (as the case may be) and, in the case of a Transfer or assignment other than a Redemption, to the transferee Member, by taking into account their varying interests during the Fiscal Year in accordance with Section 706(d) of the Code, using the "interim closing of the books" method or another permissible method or methods selected by the Manager. Should the "interim closing of the books" method be used, then solely for purposes of making such allocations, unless otherwise determined by the Manager, each of such items for the calendar month in which a Transfer occurs shall be allocated to the transferee Member and none of such items for the calendar month in which a Transfer or a Redemption occurs shall be allocated to the transferor Member, or the Tendering Party (as the case may be) if such Transfer occurs on or before the fifteenth (15th) day of the month, otherwise such items shall be allocated to the transferor. All distributions attributable to such Unit with respect to which the Company Record Date is before the date of such Transfer, assignment or Redemption shall be made to the transferor Member or the Tendering Party (as the case may be) and, in the case of a Transfer other than a Redemption, all distributions thereafter attributable to such Unit shall be made to the transferee.

(d) In addition to any other restrictions on Transfer herein contained, in no event may any Transfer or assignment of Units by any Member (including any Redemption, any acquisition of Units by the Manager or any other acquisition of Units by the Company) be made (i) to any person or entity who lacks the legal right, power or capacity to own Units; (ii) in violation of applicable Law; (iii) of any component portion of a Unit, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Unit; (iv) if the Manager determines that such Transfer would create a material risk that the Company would become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in Section 3(14) of ERISA) or a "disqualified person" (as defined in Section 4975(c) of the Code); (v) if the Manager determines, based on the advice of counsel, that such Transfer would create a material risk that any portion of the assets of the Company would constitute assets of any employee benefit plan pursuant to Department of Labor Treasury Regulations Section 2510.2-101; (vi) if such Transfer requires the registration of such Unit pursuant to any applicable federal or state securities Laws; (vii) if the Manager determines that such Transfer creates a material risk that the Company would become a reporting company under the Exchange Act; (viii) if such Transfer subjects the Company to regulation under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or ERISA, each as amended; or (ix) if the Manager determines that such Transfer would create a material risk that the Company would become a "publicly traded partnership," as such term is defined in Sections 469(k)(2) or 7704(b) of the Code, or otherwise cease to be classified as a partnership for

U.S. federal income tax purposes (except as a result of the Redemption (or acquisition by SDC Inc.) of all Units held by all Members (other than SDC Inc.).

(e) Notwithstanding anything in this Agreement to the contrary, in no event may any Transfer or assignment of any Units by any Member (including any Redemption, any acquisition of Units by SDC Inc. or any other acquisition of Units by the Company) result in the Company's having more than one hundred (100) Members within the meaning of Treasury Regulations Section 1.7704-1(h)(1) (determined pursuant to the rules of Treasury Regulations Section 1.7704-1(h)(3)).

(f) Transfers pursuant to this Article X, other than a Permitted Transfer to a Permitted Transferee pursuant to the exercise of remedies under a Pledge, may only be made on the first day of a fiscal quarter of the Company, unless the Manager otherwise agrees.

Section 10.7 Restrictions on Termination Transactions. SDC Inc. shall not engage in, or cause or permit, a Termination Transaction, other than (i) with Consent of the Members, or (ii) either:

(a) in connection with any such Termination Transaction, each Holder of Common Units (other than SDC Inc. and its wholly owned Subsidiaries) will receive, or will have the right to elect to receive, for each Common Unit an amount of cash, securities or other property equal to the product of the Adjustment Factor and the greatest amount of cash, securities or other property paid to a holder of one Class A Share in consideration of one Class A Share pursuant to the terms of such Termination Transaction; provided, that if in connection with such Termination Transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of a majority of the outstanding Class A Shares, each Holder of Common Units (other than SDC Inc. and its wholly owned subsidiaries) will receive, or will have the right to elect to receive, the greatest amount of cash, securities or other property which such Holder of Common Units would have received had it exercised its right to Redemption pursuant to Article XI and received Class A Shares in exchange for its Common Units immediately prior to the expiration of such purchase, tender or exchange offer and had thereupon accepted such purchase, tender or exchange offer and then such Termination Transaction shall have been consummated (the fair market value, as determined by the Manager (whose determination shall be conclusive) at the time of the Termination Transaction, of the amount specified herein with respect to each Common Unit is referred to as the "**Transaction Consideration**"); or

(b) all of the following conditions are met: (i) substantially all of the assets directly or indirectly owned by the Company prior to the announcement of the Termination Transaction are, immediately after the Termination Transaction, owned directly or indirectly by the Company or another limited partnership or limited liability company which is the survivor of a merger, consolidation or combination of assets with the Company (in each case, the "**Surviving Company**"); (ii) the Surviving Company is classified as a partnership for U.S. federal income tax purposes; (iii) the Members (other than SDC Inc.) that held Common Units immediately prior to the consummation of such Termination Transaction own a percentage interest of the Surviving Company based on the relative fair market value (as determined by the Manager, whose determination shall be conclusive) of the net assets of the Company and the

other net assets of the Surviving Company immediately prior to the consummation of such transaction; (iv) the rights of such Members with respect to the Surviving Company are at least as favorable as those of Members holding Common Units immediately prior to the consummation of such transaction (except to the extent that any such rights are consistent with clause (v) below) and as those applicable to any other limited partners or non-managing members of the Surviving Company; and (v) such rights include the right to redeem their interests in the Surviving Company at any time for cash in an amount equal to the fair market value of such interest at the time of redemption, as determined at least once every calendar quarter by an independent appraisal firm of recognized national standing retained by the Surviving Company.

ARTICLE XI

REDEMPTION AND EXCHANGE RIGHTS

Section 11.1 Redemption Rights of Qualifying Parties.

(a) After the expiration or earlier termination of any applicable Lock-Up Period, a Qualifying Party shall have the right (subject to the terms and conditions set forth herein) to redeem all or a portion of the Common Units held by such Qualifying Party (Common Units that have in fact been tendered for redemption being hereafter referred to as "**Tendered Units**") in exchange for the Cash Amount payable on the Specified Redemption Date (in each case, a "**Redemption**"). Notwithstanding the foregoing, the Company may, in the Manager's sole and absolute discretion, redeem Tendered Units at the request of the Tendering Party prior to the end of any applicable Lock-Up Period (subject to the terms and conditions set forth herein) (a "**Special Redemption**"); provided, that the Manager first receives a legal opinion to the same effect as the legal opinion described in Section 11.1(e). Any Redemption shall be exercised pursuant to a Notice of Redemption delivered to the Manager by the Qualifying Party when exercising the Redemption right (the "**Tendering Party**"). To be effective, such Notice of Redemption must be received by the Company not less than three (3) and not more than ten (10) Business Days prior to the Specified Redemption Date. The Company's obligation to effect a Redemption, however, shall not arise or be binding against the Company (i) unless and until SDC Inc. declines to exercise its purchase rights pursuant to Section 11.1(b) hereof following receipt of a Notice of Redemption (a "**Declination**") and (ii) until the Business Day following the Cut-Off Date. In the event of a Redemption, the applicable Cash Amount shall be delivered as a certified or bank check payable to the Tendering Party or, in the Manager's sole and absolute discretion, by wire transfer of funds on or before the Specified Redemption Date.

(b) Notwithstanding the provisions of Section 11.1(a) hereof, on or before the close of business on the Cut-Off Date, SDC Inc. may, in the sole and absolute discretion of the Board of Directors, elect to acquire some or all (such percentage being referred to as the "**Acquired Percentage**") of the Tendered Units from the Tendering Party in exchange for the Class A Shares Amount or the Cash Amount (as determined by SDC Inc. in its sole discretion), calculated based on the portion of Tendered Units it elects to acquire. If SDC Inc. so elects, on the Specified Redemption Date, the Tendering Party shall sell such number of the Tendered Units to SDC Inc. in exchange for (i) a number of Class A Shares equal to the product of the Class A Shares Amount and the Acquired Percentage, (ii) cash in an amount equal to the product

of the Cash Amount and the Acquired Percentage, or (iii) a combination of (i) and (ii), with the form and allocation of consideration determined by SDC Inc. in its sole discretion. The Tendering Party shall submit such written representations, investment letters, legal opinions or other instruments necessary, in the view of SDC Inc., to effect compliance with the Securities Act. In the event of a purchase of the Tendered Units by SDC Inc. pursuant to this Section 11.1(b), the Tendering Party shall no longer have the right to cause the Company to effect a Redemption of such Tendered Units, and, upon notice to the Tendering Party by SDC Inc., given on or before the close of business on the Cut-Off Date, that SDC Inc. has elected to acquire some or all of the Tendered Units pursuant to this Section 11.1(b), the obligation of the Company to effect a Redemption of the Tendered Units as to which SDC Inc.'s notice relates shall not accrue or arise. If SDC Inc. elects to acquire Tendered Units for Class A Shares, then a number of Class A Shares equal to the product of the Applicable Percentage and the Class A Shares Amount, if applicable, shall be delivered by SDC Inc. as duly authorized, validly issued, fully paid and non-assessable Class A Shares and, if applicable, Rights, free of any pledge, lien, encumbrance or restriction, other than restrictions provided in the certificate of incorporation of SDC Inc., the Securities Act and relevant state securities or "blue sky" Laws. Neither any Tendering Party whose Tendered Units are acquired by SDC Inc. pursuant to this Section 11.1(b), any Member, any Assignee nor any other interested Person shall have any right to require or cause SDC Inc. to register, qualify or list any Class A Shares owned or held by such Person, whether or not such Class A Shares are issued pursuant to this Section 11.1(b), with the SEC, with any state securities commissioner, department or agency, under the Securities Act or the Exchange Act or with any stock exchange; provided, however, that this limitation shall not be in derogation of any registration or similar rights granted pursuant to any other written agreement between SDC Inc. and any such Person. Notwithstanding any delay in such delivery, the Tendering Party shall be deemed the owner of such Class A Shares and Rights for all purposes, including rights to vote or consent, receive dividends, and exercise rights, as of the Specified Redemption Date. Class A Shares issued upon an acquisition of Tendered Units by SDC Inc. pursuant to this Section 11.1(b) may contain such legends regarding restrictions under the Securities Act and applicable state securities Laws as SDC Inc. in good faith determines to be necessary or advisable in order to ensure compliance with such Laws. If SDC Inc. elects to acquire Tendered Units for cash, then cash equal to the product of the Acquired Percentage and the Cash Amount shall be delivered as a certified or bank check payable to the Tendering Party or, in SDC Inc.'s sole and absolute discretion, by wire transfer of funds on or before the Specified Redemption Date.

(c) In the event of a Declination, SDC Inc. shall give notice of such Declination to the Tendering Party on or before the close of business on the Cut-Off Date. The failure of SDC Inc. to give notice of such Declination by the close of business on the Cut-Off Date shall be deemed to be an election by SDC Inc. to acquire the Tendered Units in exchange for Class A Shares or cash. In the event of a Declination, the Company may elect to raise funds for the payment of any applicable Cash Amount (a) solely by requiring that SDC Inc. or its Subsidiaries contribute to the Company funds from (i) the proceeds of a registered public offering by SDC Inc. of Class A Shares sufficient to purchase the Tendered Units or (ii) any other sources available to SDC Inc. or its Subsidiaries or (b) with the consent of the Tendering Party, from any other sources available to the Company. To the extent determined by the Manager, the Company will treat such a transaction as a disguised sale under Section 707(a)(2)(B) of the Code. If the Cash Amount is not paid on or before the Specified

Redemption Date, interest shall accrue with respect to the Cash Amount from the day after the Specified Redemption Date to and including the date on which the Cash Amount is paid at a rate equal to the Applicable Federal Short-Term Rate as published monthly by the Internal Revenue Service.

(d) Notwithstanding anything herein to the contrary, with respect to any Redemption (or any tender of Common Units for Redemption if the Tendered Units are acquired by SDC Inc. pursuant to Section 11.1(b) hereof) pursuant to this Section 11.1:

(i) Without the consent of the Manager, no Tendering Party may effect a Redemption for less than [ten thousand (10,000)] Common Units (as adjusted for any unit split, unit distribution, reverse unit split, reclassification or similar event, in each case with such adjustment being determined by the Manager.) or, if such Tendering Party holds less than [ten thousand (10,000)] Common Units (as adjusted for any unit split, unit distribution, reverse unit split, reclassification or similar event, in each case with such adjustment being determined by the Manager), all of the Common Units held by such Tendering Party.

(ii) If (i) a Tendering Party surrenders Tendered Units during the period after the Company Record Date with respect to a distribution payable to Holders of Common Units, and before the record date established by SDC Inc. for a dividend to its stockholders of some or all of its portion of such Company distribution, and (ii) SDC Inc. elects to acquire any of such Tendered Units in exchange for Class A Shares pursuant to Section 11.1(b), then such Tendering Party shall pay to SDC Inc. on the Specified Redemption Date an amount in cash equal to the Company distribution paid or payable in respect of such Tendered Units.

(iii) The consummation of such Redemption (or an acquisition of Tendered Units by SDC Inc. pursuant to Section 11.1(b) hereof, as the case may be) shall be subject to the expiration or termination of the applicable waiting period, if any, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

(iv) The Tendering Party shall continue to own (subject, in the case of an Assignee, to the provisions of Section 10.5) all Common Units subject to any Redemption, and be treated as a Member or an Assignee, as applicable, with respect to such Common Units for all purposes of this Agreement, until the Specified Redemption Date and until such Tendered Units are either paid for by the Company pursuant to Section 11.1(a) hereof or transferred to SDC Inc. and paid for by the issuance of Class A Shares or payment of cash pursuant to Section 11.1(b). Until a Specified Redemption Date and an acquisition of the Tendered Units by SDC Inc. for Class A Shares pursuant to Section 11.1(b) hereof, the Tendering Party shall have no rights as a stockholder of SDC Inc. with respect to the Class A Shares issuable in connection with such acquisition.

(v) The Manager shall establish a Specified Redemption Date in each quarter of each Fiscal Year, subject to the expiration or earlier termination of any applicable Lock-Up Period, provided, that the Manager may postpone any such date one or more times. The Manager shall provide notice to the Members of each Specified

Redemption Date at least forty-five (45) days prior to such date. The Manager may, in its sole discretion, establish additional Specified Redemption Dates on such terms and conditions as determined by the Manager in its sole discretion, if it determines that doing so would not create a material risk that the Company would become a "publicly traded partnership," as such term is defined in Sections 469(k)(2) or 7704(b) of the Code.

(e) In connection with any Special Redemption, SDC Inc. shall have the right to receive an opinion of counsel for the Tendering Party reasonably satisfactory to it to the effect that the proposed Special Redemption will not cause the Company or SDC Inc. to violate any federal or state securities Laws or regulations applicable to the Special Redemption or the issuance and sale of Class A Shares to the Tendering Party pursuant to Section 11.1(b) of this Agreement.

(f) Notwithstanding anything herein to the contrary, any Member may exchange Common Units only to the extent such Member's Adjusted Capital Account Balance at the time of the exchange represents at least the same percentage of the aggregate Adjusted Capital Account Balances of all partners of the Company as the percentage interest represented by such Common Units to be exchanged. For the avoidance of doubt, the exchanging Member may designate the portion of his or her Capital Account attributable to one or more Common Units being exchanged.

(g) Share Offering Funding Option.

(i) Notwithstanding Section 11.1(a) or Section 11.1(b) hereof, if (i) a Member has delivered to the Manager a Notice of Redemption with respect to a number of Common Units that, together with any other Tendered Units from other Members (collectively, the "**Offering Units**"), exceeds [twenty-five million dollars ($25,000,000)] gross value, based on a Common Unit price equal to the Value of a Class A Share, and (ii) SDC Inc. is eligible to file a registration statement under Form S-3 (or any successor form similar thereto), then either: (x) the Manager and SDC Inc. may cause the Company to redeem the Offering Units with the proceeds of an offering, whether registered under the Securities Act or exempt from such registration, underwritten, offered and sold directly to investors or through agents or other intermediaries, or otherwise distributed (a "**Share Offering Funding**") of a number of Class A Shares ("**Offered Shares**") equal to the Class A Shares Amount with respect to the Offering Units pursuant to the terms of this Section 11.1(g); (y) the Company shall pay the Cash Amount with respect to the Offering Units pursuant to the terms of Section 11.1(a); or (z) SDC Inc. shall acquire the Offering Units in exchange for the Class A Shares Amount pursuant to the terms of Section 11.1(b). The Manager and SDC Inc. must provide notice of its exercise of the election described in clause (x) above to purchase the Tendered Units through a Share Offering Funding on or before the Cut-Off Date.

(1) If the Manager and SDC Inc. elect a Share Offering Funding with respect to a Notice of Redemption, SDC Inc. may give notice (a "**Single Funding Notice**") of such election to all Members and require that all Members elect whether or not to effect a Redemption to be funded through such Share Offering Funding. If a Member elects to effect such a Redemption, it shall give notice thereof and of the

number of Common Units to be made subject thereto in writing to SDC Inc. within ten (10) Business Days after receipt of the Single Funding Notice, and such Member shall be treated as a Tendering Party for all purposes of this Section 11.1(g) as long as the requirements in Section 11.1(d)(iv) are otherwise satisfied.

(ii) If the Manager and SDC Inc. elect a Share Offering Funding, on the Specified Redemption Date, the Company shall redeem each Offering Unit that is still a Tendered Unit on such date for cash in immediately available funds in an amount (the "**Share Offering Funding Amount**") equal to the net proceeds per Offered Share received by SDC Inc. from the Share Offering Funding, determined after deduction of underwriting discounts and commissions but no other expenses of SDC Inc. or any other Member related thereto, including without limitation, legal and accounting fees and expenses, SEC registration fees, state blue sky and securities Laws fees and expenses, printing expenses, FINRA filing fees, exchange listing fees and other out of pocket expenses (the "**Net Proceeds**").

(iii) If the Manager and SDC Inc. elect a Share Offering Funding, the following additional terms and conditions shall apply:

(1) As soon as practicable after the Manager and SDC Inc. elect to effect a Share Offering Funding, SDC Inc. shall use its reasonable efforts to effect as promptly as possible a registration, qualification or compliance (including, without limitation, the execution of an undertaking to file post-effective amendments, appropriate qualifications under applicable blue sky or other state securities Laws and appropriate compliance with applicable regulations issued under the Securities Act and any other governmental requirements or regulations) as would permit or facilitate the sale and distribution of the Offered Shares; provided, that if SDC Inc. shall deliver a certificate to the Tendering Party stating that SDC Inc. has determined in the good faith judgment of the Board of Directors that such filing, registration or qualification would require disclosure of material non-public information, the disclosure of which would have a material adverse effect on SDC Inc., then SDC Inc. may delay making any filing or delay the effectiveness of any registration or qualification for the shorter of (a) the period ending on the date upon which such information is disclosed to the public or ceases to be material or (b) an aggregate period of ninety (90) days in connection with any Share Offering Funding.

(2) SDC Inc. shall advise each Tendering Party, regularly and promptly upon any request, of the status of the Share Offering Funding process, including the timing of all filings, the selection of and understandings with underwriters, agents, dealers and brokers, the nature and contents of all communications with the SEC and other governmental bodies, the expenses related to the Share Offering Funding as they are being incurred, the nature of marketing activities, and any other matters reasonably related to the timing, price and expenses relating to the Share Offering Funding and the compliance by SDC Inc. with its obligations with respect thereto. SDC Inc. will have reasonable procedures whereby the Tendering Party with the largest number of Offering Units (the "**Lead Tendering Party**") may represent all the Tendering Parties in connection with the Share Offering Funding by allowing it to participate in meetings with

the underwriters of the Share Offering Funding. In addition, SDC Inc. and each Tendering Party may, but shall be under no obligation to, enter into understandings in writing ("**Pricing Agreements**") whereby the Tendering Party will agree in advance as to the acceptability of a Net Proceeds amount at or below a specified amount. Furthermore, SDC Inc. shall establish pricing notification procedures with each such Tendering Party, such that the Tendering Member will have the maximum opportunity practicable to determine whether to become a Withdrawing Member pursuant to Section 11.1(g)(iii)(3) below.

(3) SDC Inc. will permit the Lead Tendering Party to participate in the pricing discussions for the Share Offering Funding and, upon notification of the price per Class A Share in the Share Offering Funding from the managing underwriter(s), in the case of a proposed registered public offering, or lead placement agent(s), in the event of an unregistered offering, engaged by SDC Inc. in order to sell the Offered Shares, shall immediately use its reasonable efforts to notify each Tendering Party of the price per Class A Share in the Share Offering Funding and resulting Net Proceeds. Each Tendering Party shall have one hour from the receipt of such written notice (as such time may be extended by SDC Inc.) to elect to withdraw its Redemption (a Tendering Party making such an election being a "**Withdrawing Member**"), and Common Units with a Class A Shares Amount equal to such excluded Offered Shares shall be considered to be withdrawn from the related Redemption; provided, however, that SDC Inc. shall keep each of the Tendering Parties reasonably informed as to the likely timing of delivery of its notice. If a Tendering Party, within such time period, does not notify SDC Inc. of such Tendering Party's election to become a Withdrawing Member, then such Tendering Party shall, except as otherwise provided in a Pricing Agreement, be deemed not to have withdrawn from the Redemption, without liability to SDC Inc. To the extent that SDC Inc. is unable to notify any Tendering Party, such unnotified Tendering Party shall, except as otherwise provided in any Pricing Agreement, be deemed not to have elected to become a Withdrawing Member. Each Tendering Party whose Redemption is being funded through the Share Offering Funding who does not become a Withdrawing Member shall have the right, subject to the approval of the managing underwriter(s) or placement agent(s) and restrictions of any applicable securities Laws, to submit for Redemption additional Common Units in a number no greater than the number of Common Units withdrawn. If more than one Tendering Party so elects to redeem additional Common Units, then such Common Units shall be redeemed on a pro rata basis, based on the number of additional Common Units sought to be so redeemed.

SDC Inc. shall take all reasonable action in order to effectuate the sale of the Offered Shares including, but not limited to, the entering into of an underwriting or placement agreement in customary form with the managing underwriter(s) or placement agent(s) selected for such offering. Notwithstanding any other provision of this Agreement, if the managing underwriter(s) or placement agent(s) advises SDC Inc. in writing that marketing factors require a limitation of the number of shares to be offered, then SDC Inc. shall so advise all Tendering Parties and the number of Common Units to be sold to SDC Inc. pursuant to the Redemption shall be allocated among all Tendering Parties in proportion, as nearly as practicable, to the respective number of Common Units as to which each Tendering Party elected to effect a Redemption.

Notwithstanding anything to the contrary in this Agreement, if SDC Inc. is also offering to sell shares for purposes other than to fund the redemption of Offering Units and to pay related expenses, then those other shares may in SDC Inc.'s sole discretion be given priority over any shares to be sold in the Share Offering Funding, and any shares to be sold in the Share Offering Funding shall be removed from the offering prior to removing shares the proceeds of which would be used for other purposes of SDC Inc. No Offered Shares excluded from the offering by reason of the managing underwriter's or placement agent's marketing limitation shall be included in such offering.

Each of the Company and SDC Inc. shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable upon a Redemption such amounts as may be required to be deducted or withheld therefrom under the Code or any provision of applicable Law, and to the extent deduction and withholding is required, such deduction and withholding may be taken in Class A Shares. To the extent that amounts are so withheld and paid over to the appropriate taxing authority (or, if taken in Class A Shares, cash in the amount of the fair market value of such shares is paid over to the appropriate taxing authority), such amounts will be treated for purposes of this Agreement as having been paid to the Tendering Party.

ARTICLE XII

ADMISSION OF MEMBERS

Section 12.1 Admission of Successor Manager. A successor to all or a portion of the Manager's Units pursuant to Section 10.2(b) who the Manager has designated to become a successor Manager shall be admitted to the Company as the Manager, effective immediately upon the Transfer of such Units to it. Upon any such Transfer and the admission of any such transferee as a successor Manager in accordance with this Article XII, the transferor Manager shall be relieved of its obligations under this Agreement and shall cease to be the Manager of the Company without the consent or approval of any Non-Manager Member. Any such successor shall carry on the business of the Company without dissolution. In each case, the admission shall be subject to the successor Manager executing and delivering to the Company an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission. In the event that the Manager withdraws from the Company, or transfers all of its Units, in violation of this Agreement, or otherwise dissolves or terminates or ceases to be the Manager of the Company, a Majority in Interest of the Members may elect to continue the Company by selecting a successor Manager in accordance with Section 13.1(b).

Section 12.2 Members; Admission of Additional Members.

(a) After the Effective Date, a Person (other than a then-existing Member) who makes a Capital Contribution to the Company in exchange for Units and in accordance with this Agreement shall be admitted to the Company as an Additional Member only upon furnishing to the Manager (i) an executed Joinder to this Agreement, (ii) Consent by Spouse (if applicable), and (iii) such other documents and instruments as the Manager may require to effect such Person's admission as an Additional Member. Concurrently with, and as evidence of, the admission of an Additional Member, the Manager shall amend the Register and the books and

records of the Company to reflect the name, address, number and type of Units of such Additional Member.

(b) Notwithstanding anything to the contrary in this Section 12.2, no Person shall be admitted as an Additional Member without the consent of the Manager. The admission of any Person as an Additional Member shall become effective on the date upon which the name of such Person is recorded on the books and records of the Company, following the consent of the Manager to such admission and the satisfaction of all the conditions set forth in Section 12.2(a).

(c) If any Additional Member is admitted to the Company on any day other than the first day of a Fiscal Year, then Net Profits, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit allocable among Members for such Fiscal Year shall be allocated among such Additional Member and all other Members by taking into account their varying interests during the Fiscal Year in accordance with Section 706(d) of the Code, using the "interim closing of the books" method or another permissible method or methods selected by the Manager. Solely for purposes of making such allocations, each of such items for the calendar month in which an admission of any Additional Member occurs shall be allocated among all the Members including such Additional Member, in accordance with the principles described in Section 10.6(c). All distributions with respect to which the Company Record Date is before the date of such admission shall be made solely to Members and Assignees other than the Additional Member, and all distributions thereafter shall be made to all the Members and Assignees including such Additional Member.

(d) For the admission to the Company of any Member, the Manager shall take all steps necessary and appropriate under the Delaware Act to amend the Register and the books and records of the Company and, if necessary, to prepare as soon as practical an amendment of this Agreement and, if required by Law, shall prepare and file an amendment to the Certificate of Limited Company and may for this purpose exercise the power of attorney granted pursuant to Section 15.2.

Section 12.3 Limit on Number of Members. Unless otherwise permitted by the Manager, no Person shall be admitted to the Company as an Additional Member if the effect of such admission would be to cause the Company to have a number of Members (including as Members for this purpose those Persons indirectly owning an interest in the Company through another partnership, a limited liability company, a subchapter S corporation or a grantor trust) that would cause the Company to become a reporting company under the Exchange Act.

Section 12.4 Admission. A Person shall be admitted to the Company as a Member of the Company only upon strict compliance, and not upon substantial compliance, with the requirements set forth in this Agreement for admission to the Company as a Member.

ARTICLE XIII

DISSOLUTION AND LIQUIDATION

Section 13.1 Events Causing Dissolution. The Company shall not be dissolved by the admission of Additional Members or Substituted Members or the attempted withdrawal or resignation of a Member. The Company shall be dissolved and its affairs shall be wound up upon the occurrence of any of the following events (each, a "**Liquidating Event**"):

(a) the sale of all or substantially all of the Company's assets;

(b) the Incapacitation of the Manager; provided, that the Company will not be dissolved or required to be wound up in connection with the Incapacitation of the Manager (and such Incapacitation shall not be considered a Liquidating Event) if, within ninety (90) days after such Incapacitation, the Company, acting by Consent of the Members, appoints a successor Manager effective as of the date of the event;

(c) an election to dissolve the Company made by the Manager, with the Consent of the Members; or

(d) the entry of a decree of judicial dissolution under Section 18-802 of the Delaware Act.

Section 13.2 Distribution upon Dissolution.

(a) Upon the dissolution of the Company pursuant to Section 13.1, unless the Company is continued pursuant to Section 13.1, the Manager (or, in the event that there is no remaining Manager or the Manager has dissolved, become Bankrupt or ceased to operate, any Person elected by Consent of the Members) (the Manager or such other Person being referred to herein as the "**Liquidator**") shall be responsible for overseeing the winding up and dissolution of the Company and shall take full account of the Company's liabilities and property, and the Company property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom shall be applied and distributed in the following order:

(i) First, to the satisfaction of all of the Company's debts and liabilities to creditors, including Members who are creditors (other than with respect to liabilities owed to Members in satisfaction of liabilities for distributions), whether by payment or the making of reasonable provision for payment thereof;

(ii) Second, to the satisfaction of all of the Company's liabilities to the Members in satisfaction of liabilities for distributions, whether by payment or the making of reasonable provision for payment thereof; and

(iii) The balance, if any, to the Holders in accordance with and in proportion to their positive Capital Account balances, after giving effect to all contributions, distributions and allocations for all periods.

The Manager shall not receive any additional compensation for any services performed pursuant to this Article XIII.

(b) Notwithstanding the provisions of Section 13.2(a) that require liquidation of the assets of the Company, but subject to the order of priorities set forth therein, if prior to or

upon dissolution of the Company, the Liquidator determines that an immediate sale of part or all of the Company's assets would be impractical or would cause undue loss to the Holders, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Company (including to those Holders as creditors) and/or distribute to the Holders, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2(a), undivided interests in such Company assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Holders, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the Fair Market Value of any property distributed in kind using such reasonable method of valuation as it may adopt.

(c) In the event that the Company is "liquidated," within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made pursuant to this Article XIII to the Holders that have positive Capital Accounts in compliance with Treasury Regulations Section 1.704-1(b)(2)(ii)(b)(2) to the extent of, and in proportion to, positive Capital Account balances. If any Holder has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), such Holder shall have no obligation to make any contribution to the capital of the Company with respect to such deficit, and such deficit shall not be considered a debt owed to the Company or to any other Person for any purpose whatsoever. In the sole and absolute discretion of the Manager or the Liquidator, a pro rata portion of the distributions that would otherwise be made to the Holder s pursuant to this Article XIII may be:

(i) distributed to a trust established for the benefit of the Manager and the Holders for the purpose of liquidating Company assets, collecting amounts owed to the Company, and paying any contingent or unforeseen liabilities or obligations of the Company or of the Manager arising out of or in connection with the Company and/or Company activities. The assets of any such trust shall be distributed to the Holders, from time to time, in the reasonable discretion of the Manager, in the same proportions and amounts as would otherwise have been distributed to the Holders pursuant to this Agreement; or

(ii) withheld or escrowed to provide a reasonable reserve for Company liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Company; provided, that such withheld or escrowed amounts shall be distributed to the Holders in the manner and order of priority set forth in Section 13.2(a) as soon as practicable.

Section 13.3 Rights of Holders. Except as otherwise provided in this Agreement and subject to the rights of any Holder set forth in a Unit Designation, (a) each Holder shall look solely to the assets of the Company for the return of its Capital Contribution, (b) no Holder shall have the right or power to demand or receive property other than cash from the Company, and (c) no Holder shall have priority over any other Holder as to the return of its Capital Contributions, distributions or allocations.

Section 13.4 Termination. The Company shall terminate when all of the assets of the Company, after payment of or due provision for all debts, liabilities and obligations of the Company, shall have been distributed to the Members in the manner provided for in this Article XIII, and the Certificate shall have been canceled in the manner required by the Delaware Act.

Section 13.5 Reasonable Time for Winding Up. A reasonable time shall be allowed for the orderly winding up of the business and affairs of the Company and the liquidation of its assets pursuant to Section 13.2, in order to minimize any losses otherwise attendant upon such winding up, and the provisions of this Agreement shall remain in effect between and among the Members during the period of liquidation.

ARTICLE XIV

VALUATION

Section 14.1 Determination. "**Fair Market Value**" of a specific Company asset will mean the amount which the Company would receive in an all-cash sale of the asset in an arms-length transaction with a willing unaffiliated third party, with neither party having any compulsion to buy or sell, consummated on the day immediately preceding the date on which the event occurred which necessitated the determination of the Fair Market Value (and after giving effect to any transfer taxes payable in connection with the sale), as that amount is determined by the Manager (or, if pursuant to Section 13.2, the Liquidators) in its good faith judgment using all factors, information and data it deems to be pertinent.

ARTICLE XV

GENERAL PROVISIONS

Section 15.1 Company Counsel. THE COMPANY, SDC INC., AND CERTAIN OF THEIR AFFILIATES MAY BE REPRESENTED BY THE SAME COUNSEL. THE ATTORNEYS, ACCOUNTANTS AND OTHER EXPERTS WHO PERFORM SERVICES FOR THE COMPANY MAY ALSO PERFORM SERVICES FOR SDC INC. OR AFFILIATES OF THE COMPANY OR SDC INC. IN ITS CAPACITY AS MANAGER MAY, WITHOUT THE CONSENT OF THE MEMBERS, EXECUTE ON BEHALF OF THE COMPANY ANY CONSENT TO THE REPRESENTATION OF THE COMPANY THAT COUNSEL MAY REQUEST PURSUANT TO THE NEW YORK RULES OF PROFESSIONAL CONDUCT OR SIMILAR RULES IN ANY OTHER JURISDICTION. THE COMPANY HAS INITIALLY SELECTED SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP ("**COMPANY COUNSEL**") AS LEGAL COUNSEL TO THE COMPANY. EACH MEMBER ACKNOWLEDGES THAT COMPANY COUNSEL DOES NOT REPRESENT ANY MEMBER IN ITS CAPACITY AS SUCH IN THE ABSENCE OF A CLEAR AND EXPLICIT WRITTEN AGREEMENT TO SUCH EFFECT BETWEEN SUCH MEMBER AND COMPANY COUNSEL (AND THEN ONLY TO THE EXTENT SPECIALLY SET FORTH IN SUCH AGREEMENT), AND THAT IN ABSENCE OF ANY SUCH AGREEMENT COMPANY COUNSEL SHALL OWE NO DUTIES TO ANY MEMBER. EACH MEMBER FURTHER ACKNOWLEDGES THAT, WHETHER OR NOT COMPANY COUNSEL HAS IN THE PAST REPRESENTED OR IS CURRENTLY REPRESENTING SUCH MEMBER

WITH RESPECT TO OTHER MATTERS, COMPANY COUNSEL HAS NOT REPRESENTED THE INTERESTS OF ANY MEMBER IN THE PREPARATION AND/OR NEGOTIATION OF THIS AGREEMENT.

Section 15.2 Power of Attorney.

(a) Each Member who is an individual hereby constitutes and appoints the Manager (or the Liquidator, if applicable) with full power of substitution, as the Member's true and lawful agent and attorney-in-fact, with full power and authority in the Member's name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) this Agreement, all certificates and other instruments and all amendments thereof which the Manager deems appropriate or necessary to form, qualify, or continue the qualification of, the Company as a limited liability company in the State of Delaware and in all other jurisdictions in which the Company may conduct business or own property; (B) all instruments which the Manager deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (C) all conveyances and other instruments or documents which the Manager deems appropriate or necessary to reflect the dissolution and liquidation of the Company pursuant to the terms of this Agreement, including a certificate of cancellation; and (D) all instruments relating to the admission, withdrawal or substitution of any Member pursuant to Article VII or Article XII; and

(ii) sign, execute, swear to and acknowledge all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the reasonable judgment of the Manager, to evidence, confirm or ratify any vote, consent, approval, agreement or other action which is made or given by the Members hereunder or is consistent with the terms of this Agreement, in the reasonable judgment of the Manager, to effectuate the terms of this Agreement.

(b) The foregoing power of attorney is irrevocable and coupled with an interest, and shall survive the death, disability, incapacity, dissolution, bankruptcy, insolvency or termination of any Member and the transfer any or all of his, her or its Units and shall extend to the Member's heirs, successors, assigns and personal representatives.

Section 15.3 Confidentiality.

(a) Each of the Members agrees to hold the Company's Confidential Information in confidence and may not disclose such information except as otherwise authorized separately in writing by the Manager. "**Confidential Information**" as used herein includes all information concerning the Company or its Subsidiaries in the possession of or furnished to any Member, including but not limited to, ideas, financial product structuring, business strategies, innovations and materials, all aspects of the Company's business plan, proposed operation and products, corporate structure, financial and organizational information, analyses, proposed partners, software code and system and product designs, employees and their identities, equity ownership, the methods and means by which the Company plans to conduct its business, all trade

secrets, trademarks, tradenames and all intellectual property associated with the Company's business. With respect to each Member, Confidential Information does not include information or material that: (a) is rightfully in the possession of such Member at the time of disclosure by the Company; (b) before or after it has been disclosed to such Member by the Company, becomes part of public knowledge, not as a result of any action or inaction of such Member in violation of this Agreement; (c) is approved for release by written authorization of the Chief Executive Officer, Chief Financial Officer or Senior Vice President, General Counsel and Secretary of the Company or the Manager, or any other officer designated by the Manager; (d) is disclosed to such Member or their representatives by a third party not to the knowledge of such Member in violation of any obligation of confidentiality owed to the Company with respect to such information; or (e) is or becomes independently developed by such Member or their respective representatives without use or reference to the Confidential Information.

(b) Each of the Members may disclose Confidential Information to its Subsidiaries, Affiliates, partners, directors, officers, employees, counsel, advisers, consultants, outside contractors and other agents, on the condition that such Persons keep the Confidential Information confidential to the same extent as such disclosing party is required to keep the Confidential Information confidential, solely to the extent it is reasonably necessary or appropriate to fulfill its obligations or to exercise its rights under this Agreement; provided, that the disclosing party shall remain liable with respect to any breach of this Section 15.3 by any such Subsidiaries, Affiliates, partners, directors, officers, employees, counsel, advisers, consultants, outside contractors and other agents.

(c) Notwithstanding Sections 15.3(a) and (b), each of the Members may disclose Confidential Information (i) to the extent that such party is legally compelled (by oral questions, interrogatories, request for information or documents, subpoena, civil investigative demand or similar process) to disclose any of the Confidential Information, (ii) for purposes of reporting to its stockholders and direct and indirect equity holders the performance of the Company and its Subsidiaries and for purposes of including applicable information in its financial statements to the extent required by applicable Law or applicable accounting standards; (iii) to any bona fide prospective purchaser of the equity or assets of a Member, or the Common Units held by such Member, or a prospective merger partner of such Member (provided, that (i) such Persons will be informed by such Member of the confidential nature of such information and shall agree in writing to keep such information confidential in accordance with the contents of this Agreement and (ii) each Member will be liable for any breaches of this Section 15.3 by any such Persons), or (iv) to the extent required to be disclosed by applicable Law. Notwithstanding any of the foregoing, nothing in this Section 15.3 will restrict in any manner the ability of the Corporation to comply with its disclosure obligations under Law, and the extent to which any Confidential Information is necessary or desirable to disclose.

Section 15.4 Amendments. Except as may be otherwise required by Law or as expressly provided in this Agreement, this Agreement may be amended or otherwise modified, or the observance of any provision of this Agreement waived, only with the approval of the Manager and Consent of the Members (excluding for purposes of such consent all Units held directly or indirectly by the Manager); provided, however, that except as specifically provided in this Agreement, no amendment or other modification or waiver may:

(a) modify the limited liability of any Member, or increase the liabilities or obligations of any Member, in each case, without the approval of each such affected Member;

(b) modify the rights and obligations set forth in Article XI with respect to a Redemption, in each case, without the approval of the Members affected by such an amendment;

(c) modify the rights and obligations set forth in Section 7.3 with respect to indemnification of Indemnified Persons, in each case, without the approval of each affected Member; or

(d) amend this Section 15.4, without the approval of each Member.

For the avoidance of doubt, at the direction of the Manager, the Company may update the Register in accordance with the terms of this Agreement, and such update shall not be construed as an amendment requiring the consent of any party hereto.

Upon obtaining the applicable approval or consent in accordance with this Section 15.4, and without further action or execution by any other Person, including any Member, (i) any amendment or other modification or waiver to this Agreement shall be implemented and reflected in a writing executed by the Manager or a duly authorized Officer and (ii) the Members shall be deemed a party to and bound by the amendment or other modification or waiver of this Agreement. Within thirty (30) days after the effectiveness of any amendment or other modification or waiver to this Agreement, the Company shall deliver a copy of a written instrument reflecting the amendment or other modification or waiver to all Members.

Section 15.5 Title to Company Assets. Company assets shall be deemed to be owned by the Company as an entity, and no Member, individually or collectively, shall have any ownership interest in those Company assets or any portion thereof. The Company shall hold title to all of its property in the name of the Company and not in the name of any Member. All Company assets shall be recorded as the property of the Company on its books and records, irrespective of the name in which legal title to those Company assets is held. The Company's credit and assets shall be used solely for the benefit of the Company, and no asset of the Company shall be transferred or encumbered for, or in payment of, any individual obligation of any Member.

Section 15.6 Company Name; Goodwill. The parties acknowledge and agree that, as among the parties, the Company shall own exclusively all right, title and interest in and to the name "SMILEDIRECTCLUB" and any trademark or name comprising or containing any of the foregoing, including any translation, transliteration or stylization thereof, or any trademark or name likely to be confused therewith (collectively, the "**Marks**") and any and all goodwill associated with the Marks. The Company hereby grants to SDC Inc. and its Affiliates (for so long as they remain Affiliates) a royalty-free, non-exclusive license to use the Marks as part of their names (as applicable) and in connection with their business activities; provided, that the SDC Inc. and its Affiliates shall abide by any guidelines or policies governing the use of the Marks promulgated by the Company from time to time. This right may not be sub-licensed, assigned or mortgaged without the Company's prior written consent. This license shall endure for so long as SDC Inc. is the Manager.

Section 15.7 Addresses and Notices. Any notice consent, demand, or communication required or permitted to be given by any provision of this Agreement will be in writing and may be (i) delivered personally to the Person or to an officer of the Person to whom the same is directed, (ii) sent by facsimile, overnight mail or registered or certified mail, return receipt requested, postage prepaid or (iii) (except to the Company or the Manager) sent by e-mail, with electronic, written or oral confirmation of receipt, in each case to the Company at the address set forth below and to any other recipient and to any Member at such address as indicated by the Company's records, or at such address or to the attention of the other Person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been delivered, given and received hereunder (a) as of the date so delivered, if delivered personally, (b) upon receipt, if sent by facsimile or e-mail (provided confirmation of transmission is received), or (c) on the date of receipt or refusal indicated on the return receipt, if sent by registered or certified mail, return receipt requested, postage and charges prepaid and properly addressed. The Company's address is:

SDC Financial LLC
414 Union Street
Nashville, Davidson County
Tennessee
Attn: [·]
E-mail: [·]

with a copy (which copy shall not constitute notice) to:

[CONTACT INFORMATION]

Section 15.8 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns, whether as Substituted Members or otherwise.

Section 15.9 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company or any of its Affiliates, and no creditor who makes a loan to the Company or any of its Affiliates may have or acquire (except pursuant to the terms of a separate agreement executed by the Company in favor of the creditor) at any time as a result of making the loan any direct or indirect interest in Profits, Losses, Distributions, capital or property other than as a secured creditor.

Section 15.10 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, duty, agreement or condition.

Section 15.11 Counterparts. This Agreement may be executed in any number of counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties hereto and delivered to the other parties (including via facsimile or other electronic transmission), it being understood that each party need not sign the same counterpart.

Section 15.12 Governing Law; Venue; Arbitration.

(a) Governing Law. This Agreement and any Dispute, whether in contract, tort or otherwise, shall be governed by and construed in accordance with the Laws of the State of Delaware without regard to principles of conflicts of Law.

(b) Venue. Each party hereto agrees that it shall bring any Proceeding in respect of any Dispute exclusively in the courts of the State of Delaware and the Federal courts of the United States, in each case, located in the City of Wilmington, Delaware (the "**Chosen Courts**"). Solely in connection with claims arising under this Agreement or the transactions contemplated hereby, each party hereto irrevocably and unconditionally (i) submits to the exclusive jurisdiction of the Chosen Courts, (ii) agrees not to commence any such Proceeding except in those courts, (iii) waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any such Proceeding in the Chosen Courts, (iv) waives, to the fullest extent permitted by Law, the defense of an inconvenient forum to the maintenance of the Proceeding and (v) agrees that service of process upon that party in any such Proceeding shall be effective if notice is given in accordance with Section 15.7. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by Law. A final judgment in any such Proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law. EACH PARTY HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. Notwithstanding anything herein to the contrary, if a demand for arbitration of a Dispute is made pursuant to Section 15.12(c), this Section 15.12(b) shall not pre-empt resolution of the Dispute pursuant to Section 15.12(c).

(c) Arbitration.

(i) Any disputes, claims or controversies arising out of or relating to this Agreement or the transactions contemplated hereby, including any disputes, claims or controversies brought by or on behalf of the Company or a Member or any holder of equity interests (which, for purposes of this Section 15.12(c), shall mean any holder of record or any beneficial owner of equity interests, or any former holder of record or beneficial owner of equity interests) of the Company or a Member, either on his, her or its own behalf, on behalf of the Company or a Member or on behalf of any series or class of equity interests of the Company or a Member or holders of equity interests of the Company or a Member against the Company or any Member or any of their respective trustees, directors, members, officers, managers, agents or employees, including any disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement, including this arbitration agreement or the governing documents of the Company or any Member (all of which are referred to as "**Disputes**") or relating in any way to such a Dispute or Disputes shall, on the demand of any party to such Dispute or Disputes, be resolved through binding and final arbitration in accordance with the Commercial Arbitration Rules (the "**Rules**") of the American Arbitration Association (the "**AAA**") then in effect, except as those Rules may be modified in this Section 15.12(c). For the avoidance of doubt, and not as a limitation,

Disputes are intended to include derivative actions against the trustees, directors, officers or managers of the Company or any Member and class actions by a holder of equity interests against those individuals or entities and the Company or any Member. For the avoidance of doubt, a Dispute shall include a Dispute made derivatively on behalf of one party against another party. For purposes of this Section 15.12(c), the term "equity interest" shall mean, (i) in respect of the Company, any Units and (ii) in respect of a Member, any equity interest in that Member. References to a "Member" in this Section 15.12(c) shall be deemed to include any former Member.

(ii) There shall be three (3) arbitrators. If there are only two (2) parties to the Dispute, each party shall select one (1) arbitrator within fifteen (15) days after receipt by respondent of a copy of the demand for arbitration. The arbitrators may be affiliated or interested persons of the parties. If there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, shall each select, by the vote of a majority of the claimants or the respondents, as the case may be, one (1) arbitrator within fifteen (15) days after receipt of the demand for arbitration. The arbitrators may be affiliated or interested persons of the claimants or the respondents, as the case may be. If either a claimant (or all claimants) or a respondent (or all respondents) fail(s) to timely select an arbitrator then the party (or parties) who has selected an arbitrator may request the AAA to provide a list of three (3) proposed arbitrators in accordance with the Rules (each of whom shall be neutral, impartial and unaffiliated with any party) and the party (or parties) that failed to timely appoint an arbitrator shall have ten (10) days from the date the AAA provides the list to select one (1) of the three (3) arbitrators proposed by the AAA. If the party (or parties) fail(s) to select the second (2nd) arbitrator by that time, the party (or parties) who have appointed the first (1st) arbitrator shall then have ten (10) days to select one (1) of the three (3) arbitrators proposed by the AAA to be the second (2nd) arbitrator; and, if he/they should fail to select the second (2nd) arbitrator by such time, the AAA shall select, within fifteen (15) days thereafter, one (1) of the three (3) arbitrators it had proposed as the second (2nd) arbitrator. The two (2) arbitrators so appointed shall jointly appoint the third (3rd) and presiding arbitrator (who shall be neutral, impartial and unaffiliated with any party) within fifteen (15) days of the appointment of the second (2nd) arbitrator. If the third (3rd) arbitrator has not been appointed within the time limit specified herein, then the AAA shall provide a list of proposed arbitrators in accordance with the Rules, and the arbitrator shall be appointed by the AAA in accordance with a listing, striking and ranking procedure, with each party having a limited number of strikes, excluding strikes for cause.

(iii) The place of arbitration shall be New York, New York unless otherwise agreed by the parties. There shall be only limited documentary discovery of documents directly related to the issues in dispute, as may be ordered by the arbitrators. For the avoidance of doubt, it is intended that there shall be no depositions and no other discovery other than limited documentary discovery as described in the preceding sentence.

(iv) In rendering an award or decision (an "**Award**"), the arbitrators shall be required to follow the Laws of the State of Delaware. Any arbitration

proceedings or Award rendered hereunder and the validity, effect and interpretation of this arbitration agreement shall be governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq. Any Award shall be in writing and shall state the findings of fact and conclusions of Law on which it is based. Any monetary Award shall be made and payable in Dollars free of any tax, deduction or offset. Subject to Section 15.12(c)(vi), each party against which an Award assesses a monetary obligation shall pay that obligation on or before the thirtieth (30th) day following the date of the Award or such other date as the Award may provide.

(v) Except to the extent expressly provided by this Agreement or as otherwise agreed by the parties thereto, each party involved in a Dispute shall bear its own costs and expenses (including attorneys' fees), and the arbitrators shall not render an Award that would include shifting of any such costs or expenses (including attorneys' fees) or, in a derivative case or class action, award any portion of a party's Award to the claimant or the claimant's attorneys. Each party (or, if there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, respectively) shall bear the costs and expenses of its (or their) selected arbitrator and the parties (or, if there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand) shall equally bear the costs and expenses of the third (3rd) appointed arbitrator.

(vi) Notwithstanding any language to the contrary in this Agreement, any Award, including but not limited to any interim Award, may be appealed pursuant to the AAA's Optional Appellate Arbitration Rules (the "**Appellate Rules**"). An Award shall not be considered final until after the time for filing the notice of appeal pursuant to the Appellate Rules has expired. Appeals must be initiated within thirty (30) days of receipt of an Award by filing a notice of appeal with any AAA office. Following the appeal process, the decision rendered by the appeal tribunal may be entered in any court having jurisdiction thereof. For the avoidance of doubt, and despite any contrary provision of the Appellate Rules, Section 15.12(c)(v) shall apply to any appeal pursuant to this Section 15.12(c)(vi) and the appeal tribunal shall not render an Award that would include shifting of any costs or expenses (including attorneys' fees) of any party.

(vii) Following the expiration of the time for filing the notice of appeal, or the conclusion of the appeal process set forth in Section 15.12(c)(vi), an Award shall be final and binding upon the parties thereto and shall be the sole and exclusive remedy between those parties relating to the Dispute, including any claims, counterclaims, issues or accounting presented to the arbitrators. Judgment upon an Award may be entered in any court having jurisdiction. To the fullest extent permitted by Law, no application or appeal to any court of competent jurisdiction may be made in connection with any question of Law arising in the course of arbitration or with respect to any Award made except for actions relating to enforcement of this agreement to arbitrate or any arbitral Award issued hereunder and except for actions seeking interim or other provisional relief in aid of arbitration proceedings in any court of competent jurisdiction.

(viii) This Section 15.12(c) is intended to benefit and be enforceable by the Company, each Member (including any former Member) and their respective holders

of equity interests, trustees, directors, officers, managers (including the Manager), agents or employees and their respective successors and assigns, shall be binding upon the Company, each Member (including any former Member) and their respective holders of equity interests and be in addition to, and not in substitution for, any other rights to indemnification or contribution that such individuals or entities may have by contract or otherwise.

Section 15.13 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law or rule in any jurisdiction, the invalidity, illegality or unenforceability will not affect any other provision or the effectiveness or validity of any provision in any other jurisdiction, and this Agreement will be reformed, construed and enforced in that jurisdiction as if the invalid, illegal or unenforceable provision had never been contained herein.

Section 15.14 Further Action. Each of the parties hereto does hereby covenant and agree on behalf of itself, its successors, and its assigns, without further consideration, to prepare, execute, acknowledge, file, record, publish, and deliver such other instruments, documents and statements, and to take such other action as may be required by Law or reasonably necessary to effectively carry out the purposes of this Agreement.

Section 15.15 Delivery by Electronic Transmission. This Agreement and any signed agreement or instrument entered into in connection with this Agreement or contemplated hereby, and any amendments hereto or thereto, to the extent signed and delivered by means of an electronic transmission, including by a facsimile machine or via email, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto or to any such agreement or instrument shall raise the use of electronic transmission by a facsimile machine or via email to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through electronic transmission as a defense to the formation of a contract and each such party forever waives any such defense.

Section 15.16 Right of Offset. Whenever the Company is to pay any sum (other than pursuant to Article IV) to any Member, any amounts that the Member owes to the Company which are not the subject of a good faith dispute may be deducted from that sum before payment. For the avoidance of doubt, the distribution of Units to SDC Inc. shall not be subject to this Section 15.16.

Section 15.17 Entire Agreement. This Agreement, those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

Section 15.18 Interpretation.

(a) Generally. Unless the context otherwise requires, as used in this Agreement: (a) “or”, “either” and “any” are not exclusive; (b) “including” and its variants mean “including, without limitation” and its variants; (c) words defined in the singular have the parallel meaning in the plural and vice versa; (d) references to “written,” “in writing” and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form; (e) words of one gender shall be construed to apply to each gender; (f) all pronouns and any variations thereof refer to the masculine, feminine or neuter as the context may require; (g) “Articles,” “Sections,” “Exhibits” and “Schedules” refer to Articles, Sections, Exhibits and Schedules of this Agreement unless otherwise specified; (h) “hereof”, “herein” and “hereunder” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; (i) “Dollars” and “$” mean U.S. Dollars; and (j) the word “extent” in the phrase “to the extent” shall mean the degree to which a subject or other thing extends and such phrase shall not mean simply “if.”

(b) Additional Interpretive Provisions. The headings in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. Any capitalized term used in any Exhibit or Schedule to this Agreement, but not otherwise defined therein, shall have the meaning as defined in this Agreement. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. References to any statute shall be deemed to refer to such statute as amended from time to time and to any rules or regulations promulgated thereunder and any successor statute or statutory provision. References to any agreement are to that agreement as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof. References to any Person include the successors and permitted assigns of that Person. Reference to any agreement, document or instrument means the agreement, document or instrument as amended or otherwise modified from time to time in accordance with the terms thereof, and if applicable hereof. Without limiting the generality of the immediately preceding sentence, no amendment or other modification to any agreement, document or instrument that requires the consent of any Person pursuant to the terms of this Agreement or any other agreement will be given effect hereunder unless the Person has consented in writing to the amendment or modification. Wherever required by the context, references to a Fiscal Year or Taxable Year shall refer to a portion thereof.

(c) Joint Drafting. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

(d) Conflicts. Wherever a conflict exists between this Agreement and any other agreement, this Agreement shall control but solely to the extent of the conflict.

Section 15.19 Consent by Spouse. Each Member who is a natural person and is married (and not formally separated with an agreed-upon division of assets) and is subject to the community property Laws of any state shall deliver a duly executed Consent by Spouse, in the form prescribed in Exhibit D attached hereto, and at the time of execution of this Agreement. Each such Member shall also have such Consent by Spouse executed by any spouse married to

him or her at any time subsequent thereto while such natural person is a Member. Each Member agrees and acknowledges that compliance with the requirements of this Section 15.19 by each other Member constitutes an essential part of the consideration for his or her execution of this Agreement.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be executed on its behalf as of the date first written above.

SMILEDIRECTCLUB, INC.

By: _____
Name: Kyle Wailes
Title: Chief Financial Officer

[Signature Page to SDC Financial LLC Seventh A&R LLC Agreement]

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be executed on its behalf as of the date first written above.

SDC FINANCIAL LLC

By: _____
Name: Kyle Wailes
Title: Chief Financial Officer

[Signature Page to SDC Financial LLC Seventh A&R LLC Agreement]

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be executed on its behalf as of the date first written above.

[MEMBERS]

By: _____
Name:
Title:

[Signature Page to SDC Financial LLC Seventh A&R LLC Agreement]

EXHIBIT A: EXAMPLES REGARDING ADJUSTMENT FACTOR

For purposes of the following examples, it is assumed that (a) the Adjustment Factor in effect on December 31, 2018 is 1.0 and (b) on January 1, 2019 (the "**Company Record Date**" for purposes of these examples), prior to the events described in the examples, there are 100 Class A Shares issued and outstanding.

Example 1

On the Company Record Date, SDC Inc. declares a dividend on its outstanding Class A Shares in Class A Shares. The amount of the dividend is one Class A Share paid in respect of each Class A Share owned. Pursuant to Paragraph (a) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Company Record Date, effective immediately after the stock dividend is declared, as follows:

1.0 * 200/100 = 2.0

Accordingly, the Adjustment Factor after the stock dividend is declared is 2.0.

Example 2

On the Company Record Date, SDC Inc. distributes options to purchase Class A Shares to all holders of its Class A Shares. The amount of the distribution is one option to acquire one Class A Share in respect of each Class A Share owned. The strike price is $4.00 a share. The Value of a Class A Share on the Company Record Date is $5.00 per share. Pursuant to Paragraph (b) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Company Record Date, effective immediately after the options are distributed, as follows:

1.0 * (100 + 100)/(100 + [100 * $4.00/$5.00]) = 1.1111

Accordingly, the Adjustment Factor after the options are distributed is 1.1111. If the options expire or become no longer exercisable, then the retroactive adjustment specified in Paragraph (b) of the definition of "Adjustment Factor" shall apply.

Example 3

On the Company Record Date, SDC Inc. distributes assets to all holders of its Class A Shares. The amount of the distribution is one asset with a fair market value (as determined by the Manager, whose determination shall be conclusive) of $1.00 in respect of each Class A Share owned. It is also assumed that the assets do not relate to assets received by SDC Inc. or its Subsidiaries pursuant to a pro rata distribution by the Company. The Value of a Class A Share on the Company Record Date is $5.00 a share. Pursuant to Paragraph (c) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Company Record Date, effective immediately after the assets are distributed, as follows:

1.0 * $5.00/($5.00 – $1.00) = 1.25

Accordingly, the Adjustment Factor after the assets are distributed is 1.25.

EXHIBIT B: FORM OF JOINDER AGREEMENT

This JOINDER AGREEMENT, dated as of , 20 (this "**Joinder**"), is delivered pursuant to that certain Seventh Amended and Restated Limited Liability Company Agreement of SDC Financial LLC, a Delaware limited liability company (the "**Company**"), dated as of September [·], 2019 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**LLC Agreement**"), by and among the Members from time to time party thereto. Capitalized terms used but not otherwise defined herein have the respective meanings set forth in the LLC Agreement.

1. Joinder to the LLC Agreement. Upon the execution of this Joinder by the undersigned and delivery hereof to SDC Inc., the undersigned hereby is and hereafter will be a Member under the LLC Agreement and a party thereto, with all the rights, privileges and responsibilities of a Member thereunder. The undersigned hereby agrees that it shall comply with and be fully bound by the terms of the LLC Agreement as if it had been a signatory thereto as of the date thereof.

2. Incorporation by Reference. All terms and conditions of the LLC Agreement are hereby incorporated by reference in this Joinder as if set forth herein in full.

3. Address. All notices under the LLC Agreement to the undersigned shall be directed to:

_____
Name

_____
Street Address

_____
City, State and Zip Code

_____
Attention:

_____
Fax

_____
E-mail

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Joinder as of the date first above written.

[NAME OF NEW MEMBER]

By: _____
Name:
Title:

Acknowledged and agreed
as of the date first set forth above:

SDC FINANCIAL LLC

By: SMILEDIRECTCLUB, INC., its managing member

By: _____
Name:
Title:

EXHIBIT C: NOTICE OF REDEMPTION

SmileDirectClub, Inc.
414 Union Street
Nashville, Tennessee 37219

The undersigned Member or Assignee of SDC Financial LLC, a Delaware limited liability company ("**SDC Financial**"), hereby irrevocably tenders for Redemption Common Units of SDC Financial in accordance with the terms of that certain Seventh Amended and Restated Limited Liability Company Agreement of SDC Financial, dated as of September [·], 2019 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**LLC Agreement**"), and the Redemption rights referred to therein in Section 11.1(a). All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the LLC Agreement. The undersigned Member or Assignee:

(a) undertakes to surrender such Common Units at the closing of the Redemption and to furnish to SDC Inc., prior to the Specified Redemption Date, the documentation, instruments and information required under Section 11.1 of the LLC Agreement;

(b) directs that the certified check representing or, at the Managers discretion, a wire transfer of the Cash Amount, and/or the Class A Shares Amount, as applicable, deliverable upon the closing of such Redemption be delivered to the address or bank account, as applicable, specified below;

(c) represents, warrants, certifies and agrees (i) that the undersigned Member or Assignee (1) is a Qualifying Party; (2) has, and at the closing of the Redemption will have, good, marketable and unencumbered title to such Common Units, free and clear of the rights or interests of any other person or entity; (3) has, and at the closing of the Redemption will have, the full right, power and authority to tender and surrender such Common Units as provided herein; and (4) has obtained the consent or approval of all persons and entities, if any, having the right to consent to or approve such tender and surrender; and (ii) the undersigned Member or Assignee, and the tender and surrender of such Common Units for Redemption as provided herein complies with all conditions and requirements for redemption of Common Units set forth in the LLC Agreement;

(d) acknowledges that the undersigned Member or Assignee will continue to own such Common Units unless and until either (i) such Common Units are acquired by SDC Inc. pursuant to Section 11.1(b) of the LLC Agreement or (ii) such Redemption closes.

Dated: _____

Name of Member or Assignee

Signature of Member or Assignee

Street Address

City, State and Zip Code

Social security or identifying number

Signature Medallion Guaranteed by*

Issue Check Payable to (or shares in the name of)

Bank Account Details:

* Required unless waived by the Manager or Transfer Agent.

EXHIBIT D: CONSENT BY SPOUSE

I acknowledge that I have read the Seventh Amended and Restated Limited Liability Company Agreement of SDC Financial LLC, a Delaware limited liability company (the "**Company**"), dated as of September [·], 2019 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**LLC Agreement**"), and that I know its contents. I am aware that by its provisions, my spouse agrees to sell, convert, dispose of, or otherwise transfer his or her interest in the Company, including any property or other interest that I have or acquire therein, under certain circumstances. I hereby consent to such sale, conversion, disposition or other transfer; and approve of the provisions of the LLC Agreement and any action hereafter taken by my spouse thereunder with respect to his or her interest, and I agree to be bound thereby.

I further agree that in the event of my death or a dissolution of marriage or legal separation, my spouse shall have the absolute right to have my interest, if any, in the Company set apart to him or her, whether through a will, a trust, a property settlement agreement or by decree of court, or otherwise, and that if he or she be required by the terms of such will, trust, settlement or decree, or otherwise, to compensate me for said interest, that the price shall be an amount equal to: (i) the then-current balance of the Capital Account relating to said interest; multiplied by (ii) my percentage of ownership in such interest (all without regard to the effect of any vesting provisions in the LLC Agreement related thereto).

This consent, including its existence, validity, construction, and operating effect, and the rights of each of the parties hereto, shall be governed by and construed in accordance with the laws of the [ ]* without regard to otherwise governing principles of choice of law or conflicts of law.

Dated: _____

Name: _____

* Insert jurisdiction of residence of Partner and Spouse.

Exhibit 10.3

TAX RECEIVABLE AGREEMENT

This TAX RECEIVABLE AGREEMENT (as amended from time to time, this "Agreement"), dated as of [ ], 2019, is hereby entered into by and among SmileDirectClub, Inc., a Delaware corporation (the "Corporation"), SDC Financial LLC, a Delaware limited liability company (the "Company"), and each of the Members (as defined herein).

RECITALS

WHEREAS, the Members hold Common Units (as defined herein) in the Company, which is treated as a partnership for United States federal income tax purposes;

WHEREAS, the Corporation will become the managing member of, and will hold managing member units in, the Company;

WHEREAS, the Common Units are exchangeable with the Corporation in certain circumstances for Class A shares (the "Class A Shares") in the Corporation and/or cash pursuant to the LLC Operating Agreement;

WHEREAS, certain of the Members will be treated for U.S. federal income tax purposes as selling all or a portion of Common Units (the "Initial Sale") to the Corporation pursuant to the transactions described in the registration statement on Form S-1 initially publicly filed with the Securities and Exchange Commission on [ ], 2019 (Registration No. 333-[ ]), as amended prior to the date hereof, for the initial public offering of Class A Shares by the Corporation (the "IPO");

WHEREAS, the Company and each of its direct and indirect Subsidiaries that are treated as partnerships for United States federal income tax purposes will have in effect an election under section 754 of the Internal Revenue Code of 1986, as amended (the "Code"), for the Taxable Year of the IPO Date and for each other Taxable Year in which an exchange by a Member of Common Units for Class A Shares and/or cash occurs, which election is intended to result in an adjustment to the tax basis of the assets owned by the Company and such Subsidiaries, solely with respect to the Corporation, at the time of an exchange by a Member of Common Units for Class A Shares and/or cash or any other acquisition of Common Units for cash or otherwise, (collectively, an "Exchange") (such time, the "Exchange Date") (such assets and any asset whose tax basis is determined, in whole or in part, by reference to the adjusted basis of any such asset, the "Adjusted Assets") by reason of such Exchange and the receipt of payments under this Agreement;

WHEREAS, the income, gain, loss, expense, and other Tax items of (i) the Company and such Subsidiaries allocable to the Corporation may be affected by the Basis Adjustment (defined below) with respect to the Adjusted Assets and (ii) the Corporation may be affected by the Imputed Interest (as defined below);

WHEREAS, the parties to this Agreement desire to make certain arrangements with respect to the effect of the Basis Adjustment and Imputed Interest on the actual liability for Taxes of the Corporation.

NOW, THEREFORE, in consideration of the foregoing and the respective covenants and agreements set forth herein, and intending to be legally bound hereby, the undersigned parties agree as follows:

ARTICLE I

DEFINITIONS

As used in this Agreement, the terms set forth in this Article I shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined).

"Actual Tax Liability" means, for a Taxable Year, the sum of (i) the actual liability for federal income Taxes of the Corporation (or the Company, but only with respect to federal income Taxes imposed on the Company and allocable to the Corporation for such Taxable Year) and (ii) the product of (x) the amount of the United States federal income or gain of the Corporation and (y) the Blended Rate.

"Adjusted Asset" is defined in the recitals of this Agreement.

"Advisory Firm" means any "big four" accounting firm or any law firm that is nationally recognized as being expert in Tax matters and that is agreed to by the Board.

"Advisory Firm Letter" means a letter from the Advisory Firm stating that the relevant schedule, notice, or other information to be provided by the Corporation to the Applicable Member and all supporting schedules and work papers were prepared in a manner consistent with the terms of this Agreement and, to the extent not expressly provided in this Agreement, on a reasonable basis in light of the facts and law in existence on the date such schedule, notice, or other information is delivered to the Applicable Member.

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such first Person.

"Agreed Rate" means LIBOR plus 100 basis points. If LIBOR ceases to be published in accordance with the definition thereof, the Corporation and the Company shall work together in good faith to select an Agreed Rate with similar characteristics that gives due consideration to the prevailing market conventions for determining rates of interest in the United States at such time.

"Agreement" is defined in the preamble of this Agreement.

"Amended Schedule" is defined in Section 2.03(b) of this Agreement.

"Amount Realized" means, in respect of an Exchange by an Applicable Member, the amount that is deemed for purposes of this Agreement to be the amount realized by the Applicable Member on the Exchange, which shall be the sum of (i) the Market Value of the Class A Shares, the amount of cash, and the amount or fair market value of other consideration transferred to the

Exchanging Member in the Exchange, and (ii) the Share of Liabilities attributable to the Common Units Exchanged.

"Applicable Member" means any Member to whom any portion of a Realized Tax Benefit is Attributable hereunder.

"Attributable": The portion of any Realized Tax Benefit of the Corporation that is Attributable to any Member shall be determined by reference to (i) the assets from which arise the depreciation, amortization, or other similar deductions for recovery of cost or basis ("Depreciation") and with respect to increased basis upon a disposition of an asset, or (ii) Imputed Interest or payment that produces the Realized Tax Benefit, under the following principles:

(i) Any Realized Tax Benefit arising from a deduction to the Corporation with respect to a Taxable Year for Depreciation arising in respect of a Basis Adjustment to an Adjusted Asset is Attributable to the Applicable Member to the extent that the ratio of all Depreciation for the Taxable Year in respect of Basis Adjustments resulting from all Exchanges by the Applicable Member bears to the aggregate of all Depreciation for the Taxable Year in respect of Basis Adjustments resulting from all Exchanges by all Members.

(ii) Any Realized Tax Benefit arising from the disposition of an asset is Attributable to the Applicable Member to the extent that the ratio of all Basis Adjustments resulting from all Exchanges by the Applicable Member with respect to such asset bears to the aggregate of all Basis Adjustments resulting from all Exchanges with respect to such asset.

(iii) Any Realized Tax Benefit arising from a deduction to the Corporation with respect to a Taxable Year in respect of Imputed Interest is Attributable to the Applicable Member that is required to include the Imputed Interest in income (without regard to whether such Member is actually subject to tax thereon).

(iv) For the avoidance of doubt, in the case of a Basis Adjustment arising with respect to an Exchange, depreciation, amortization or other similar deductions for recovery of cost or basis shall constitute Depreciation only to the extent that such depreciation, amortization or other similar deductions may produce a Realized Tax Benefit (and not to the extent that such depreciation, amortization or other similar deductions may be for the benefit of a Person other than the Corporation), as reasonably determined by the Corporation.

"Basis Adjustment" means the adjustment to the Tax basis of an Adjusted Asset under section 732 of the Code (in situations where, as a result of one or more Exchanges, the Company becomes an entity that is disregarded as separate from its owner for tax purposes) or sections 704(c)(1)(B), 734(b), 737(c)(2), 743(b), 754, 755 and 1012 of the Code (including in situations where, following an Exchange, the Company remains in existence as an entity for Tax purposes) and, in each case, comparable sections of state and local Tax laws as a result of an Exchange and the payments made pursuant to this Agreement, other than a payment of Imputed Interest. Notwithstanding any other provision of this Agreement, the amount of any Basis

Adjustment resulting from an Exchange of one or more Common Units shall be determined without regard to any Pre-Exchange Transfer and as if any such Pre-Exchange Transfer had not occurred.

"Beneficial Owner" of a security means a Person who directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of, such security and/or (ii) investment power, which includes the power to dispose, or to direct the disposition of, such security. The terms "Beneficially Own" and "Beneficial Ownership" shall have correlative meanings.

"Blended Rate" means, with respect to any Taxable Year, the sum of the effective rates of Tax imposed on the aggregate net income of the Corporate Taxpayer in each state or local jurisdiction in which the Corporation files Tax Returns for such Taxable Year, with the maximum effective rate in any state or local jurisdiction being equal to the product of (i) the apportionment factor on the income or franchise Corporation Return in such jurisdiction for such Taxable Year and (ii) the maximum applicable corporate Tax rate in effect in such jurisdiction in such Taxable Year. As an illustration of the calculation of Blended Rate for a Taxable Year, if the Corporation solely files Tax Returns in State 1 and State 2 in a Taxable Year, the maximum applicable corporate Tax rates in effect in such states in such Taxable Year are 6.5% and 5.5%, respectively, and the apportionment factors for such states in such Taxable Year are 55% and 45% respectively, then the Blended Rate for such Taxable Year is equal to 6.05% (i.e., 6.5% multiplied by 55% plus 5.5% multiplied by 45%).

"Board" means the board of directors of the Corporation.

"Business Day" means any day other than (i) a Saturday or a Sunday and (ii) a day on which banks in the State of New York are authorized or obligated by law, governmental decree, or executive order to be closed.

"Change of Control" means the occurrence of any of the following events:

(i) any Person or any group of Persons acting together which would constitute a "group" for purposes of section 13(d) of the Securities and Exchange Act of 1934, or any successor provisions thereto, excluding a group of Persons, which, if it includes any Member or any of his Affiliates, includes all Members then employed by the Corporation or any of its Affiliates, is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation representing more than fifty percent (50%) of the combined voting power of the Corporation's then outstanding voting securities; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors of the Corporation then serving: individuals who, on the IPO Date, constitute the members of the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Corporation) whose appointment or election by the Board or nomination for election by the Corporation's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were

directors on the IPO Date or whose appointment, election, or nomination for election was previously so approved or recommended by the directors referred to in this clause (ii); or

(iii) there is consummated a merger or consolidation of the Corporation or any direct or indirect subsidiary of the Corporation with any other corporation or other entity, and, immediately after the consummation of such merger or consolidation, either (x) the members of the Board immediately prior to the merger or consolidation do not constitute at least a majority of the board of directors of the company surviving the merger or, if the surviving company is a subsidiary, the ultimate parent thereof, or (y) all of the Persons who were the respective Beneficial Owners of the voting securities of the Corporation immediately prior to such merger or consolidation do not Beneficially Own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the Person resulting from such merger or consolidation; or

(iv) the shareholders of the Corporation approve a plan of complete liquidation or dissolution of the Corporation or there is consummated an agreement or series of related agreements for the sale or other disposition, directly or indirectly, by the Corporation of all or substantially all of the Corporation's assets, other than the sale or other disposition by the Corporation of all or substantially all of the Corporation's assets to an entity, at least fifty percent (50%) of the combined voting power of the voting securities of which are Beneficially Owned by shareholders of the Corporation in substantially the same proportions as their Beneficial Ownership of such securities of the Corporation immediately prior to such sale.

Notwithstanding the foregoing, except with respect to clause (ii) and clause (iii)(x) above, a "Change of Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the shares of the Corporation immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Corporation immediately following such transaction or series of transactions. The entering into, and modification of, voting agreements among the Beneficial Owners will not be deemed a Change of Control.

"Class A Shares" is defined in the recitals of this Agreement.

"Code" is defined in the recitals of this Agreement.

"Common Units" has the meaning set forth in the LLC Operating Agreement.

"Company" is defined in the preamble of this Agreement.

"Control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract, or otherwise.

"Corporate Entity" means any direct Subsidiary of the Corporation which is classified as a corporation for U.S. federal income tax purposes.

"Corporation" is defined in the preamble of this Agreement.

"Corporation Return" means the U.S. federal Tax Return and/or state and/or local Tax Return, as applicable, of the Corporation filed with respect to Taxes of any Taxable Year.

"Cumulative Net Realized Tax Benefit" for a Taxable Year means the cumulative amount of Realized Tax Benefits for all Taxable Years of the Corporation, up to and including such Taxable Year, net of the cumulative amount of Realized Tax Detriments for the same period. The Realized Tax Benefit and Realized Tax Detriment for each Taxable Year shall be determined based on the most recent Tax Benefit Schedule or Amended Schedule, if any, in existence at the time of such determination.

"Default Rate" means the Agreed Rate plus 500 basis points.

"Determination" has the meaning ascribed to such term in section 1313(a) of the Code or similar provision of state and local tax law, as applicable, or any other event (including the execution of a Form 870-AD) that finally and conclusively establishes the amount of any liability for Tax.

"Dispute" is defined in Section 7.08(a) of this Agreement.

"Early Termination Date" means the date of an Early Termination Notice for purposes of determining the Early Termination Payment.

"Early Termination Notice" is defined in Section 4.02 of this Agreement.

"Early Termination Payment" is defined in Section 4.03(b) of this Agreement.

"Early Termination Rate" means the lesser of (i) 6.5% and (ii) the Agreed Rate.

"Early Termination Schedule" is defined in Section 4.02 of this Agreement.

"Exchange" is defined in the recitals of this Agreement, and "Exchanged" and "Exchanging" shall have correlative meanings.

"Exchange Basis Schedule" is defined in Section 2.01 of this Agreement.

"Exchange Date" is defined in the recitals of this Agreement.

"Exchange Payment" is defined in Section 5.01 of this Agreement.

"Excluded Assets" is defined in Section 7.11(b) of this Agreement.

"Expert" is defined in Section 7.09 of this Agreement.

"Hypothetical Tax Liability" means, with respect to any Taxable Year, the sum of (i) the liability for federal income Taxes of the Corporation (or the Company, but only with respect to federal income Taxes imposed on the Company and allocable to the Corporation for such Taxable Year) using the same methods, elections, conventions and similar practices used on the relevant Corporation Return but using the Non-Stepped Up Tax Basis instead of the tax basis reflecting the Basis Adjustments of the Adjusted Assets, excluding any deduction or other Tax benefit attributable to Imputed Interest or attributable to making a payment pursuant to this Agreement, and (ii) the product of (x) the amount of the United States federal income or gain of the Corporation using the method described in clause (i) and (y) the Blended Rate.

"Imputed Interest" means any interest imputed under section 1272, 1274 or 483 or other provision of the Code and any similar provision of state, local, and foreign tax law with respect to a Corporation's payment obligations under this Agreement.

"Independent Directors" means the members of the Board who are "independent" under the standards set forth in Rule 10A-3 promulgated under the U.S. Securities Exchange Act of 1933, as amended, and the corresponding rules of the applicable exchange, if any, on which the Class A Shares is traded or quoted.

"Initial Sale" is defined in the recitals of this Agreement.

"IPO" is defined in the recitals of this Agreement.

"IPO Date" means the date on which Class A Shares in the Corporation are distributed to public shareholders.

"IRS" means the United States Internal Revenue Service.

"Law" has the meaning set forth in the LLC Operating Agreement.

"LIBOR" means for each month (or portion thereof) during any period, an interest rate per annum equal to the rate per annum reported, on the date two Business Days prior to the first Business Day of such month, as published on the applicable Bloomberg screen page (or other commercially available source providing quotations of LIBOR) for London interbank offered rates for U.S. dollar deposits for such month (or portion thereof).

"LLC Operating Agreement" means the [Seventh] Amended and Restated Limited Liability Company Operating Agreement of the Company, as such is from time to time amended or restated.

"Market Value" means the closing price of the Class A Shares on the applicable Exchange Date on the national securities exchange or interdealer quotation system on which such Class A Shares are then traded or listed, as reported by the *Wall Street Journal*; provided that if the closing price is not reported by the *Wall Street Journal* for the applicable Exchange Date, then the Market Value shall mean the closing price of the Class A Shares on the Business Day immediately preceding such Exchange Date on the national securities exchange or interdealer quotation system on which such Class A Shares are then traded or listed, as reported by the *Wall Street Journal*; provided, further, that if the Class A Shares are not then listed on a National Securities Exchange or

Interdealer Quotation System, "Market Value" shall mean the cash consideration paid for Class A Shares, or the fair market value of the other property delivered for Class A Shares, as determined by the Board in good faith.

"Material Objection Notice" is defined in Section 4.02 of this Agreement.

"Member" means each party hereto (other than the Corporation and the Company), and each other Person who from time to time executes a joinder to this Agreement in form and substance reasonably satisfactory to the Corporation.

"Net Tax Benefit" is defined in Section 3.01(b) of this Agreement.

"Non-Stepped Up Tax Basis" means, with respect to any asset at any time, the tax basis that such asset would have had at such time if no Basis Adjustment had been made, provided that any Basis Adjustment made under section 734(b) of the Code will take into account any amortization of such Basis Adjustment that is allocated to the Corporation prior to an Exchange.

"Objection Notice" is defined in Section 2.03(a) of this Agreement.

"Payment Date" means any date on which a payment is required to be made pursuant to this Agreement.

"Person" means any individual, corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, governmental entity, or other entity.

"Pre-Exchange Transfer" means any transfer (including upon the death of a Member) of one or more Common Units or any distribution (i) that occurs prior to an Exchange and (ii) to which either section 734(b) or section 743(b) of the Code applies.

"Realized Tax Benefit" means, for a Taxable Year and for all Taxes collectively, the net excess, if any, of the Hypothetical Tax Liability over the Actual Tax Liability. If all or a portion of the Actual Tax Liability for such Taxable Year arises as a result of an audit by a Taxing Authority of any Taxable Year, such liability shall not be included in determining the Realized Tax Benefit unless and until there has been a Determination.

"Realized Tax Detriment" means, for a Taxable Year and for all Taxes collectively, the net excess, if any, of the Actual Tax Liability over the Hypothetical Tax Liability for such Taxable Year. If all or a portion of the Actual Tax Liability for such Taxable Year arises as a result of an audit by a Taxing Authority of any Taxable Year, such liability shall not be included in determining the Realized Tax Detriment unless and until there has been a Determination.

"Reconciliation Dispute" is defined in Section 7.09 of this Agreement.

"Reconciliation Procedures" means those procedures set forth in Section 7.09 of this Agreement.

"Schedule" means any Exchange Basis Schedule, Tax Benefit Schedule or Early Termination Schedule.

"Senior Obligations" is defined in Section 5.01 of this Agreement.

"Share of Liabilities" means, as to any Common Unit at the time of an exchange, the portion of the relevant Company's "liabilities" (as such term is defined in section 752 and section 1001 of the Code) allocated to that Common Unit pursuant to section 752 of the Code and the applicable Treasury Regulations.

"Subsidiaries" means, with respect to any Person, as of any date of determination, any other Person as to which such Person, owns, directly or indirectly, or otherwise controls more than 50% of the voting shares or other similar interests or the sole general partner interest or managing member or similar interest of such Person.

"Tax" or "Taxes" means any and all U.S. federal, state, local and foreign taxes, assessments or similar charges that are based on or measured with respect to net income or profits, whether on an exclusive or on an alternative basis, and any interest related to such Tax.

"Tax Benefit Payment" is defined in Section 3.01(b) of this Agreement.

"Tax Benefit Schedule" is defined in Section 2.02 of this Agreement.

"Tax Return" means any return, declaration, report, or similar statement required to be filed with respect to Taxes (including any attached schedules), including, without limitation, any information return, claim for refund, amended return, and declaration of estimated Tax.

"Taxable Year" means a taxable year as defined in section 441(b) of the Code or comparable section of state or local tax law, as applicable, (and, therefore, for the avoidance of doubt, may include a period of less than 12 months for which a Tax Return is made) ending on or after an Exchange Date in which there is a Basis Adjustment due to an Exchange.

"Taxing Authority" means any domestic, foreign, federal, national, state, county, or municipal or other local government, any subdivision, agency, commission, or authority thereof, or any quasi-governmental body exercising any taxing authority or any other authority exercising Tax regulatory authority.

"Treasury Regulations" means the final, temporary, and proposed regulations under the Code promulgated from time to time (including corresponding provisions and succeeding provisions) as in effect for the relevant taxable period.

"Valuation Assumptions" means, as of an Early Termination Date, the assumptions that: (1) in each Taxable Year ending on or after such Early Termination Date, the Corporation will have taxable income sufficient to fully utilize the deductions arising from the Basis Adjustment and the Imputed Interest during such Taxable Year; (2) the federal, state and local income tax rates that will be in effect for each such Taxable Year will be those specified for each such Taxable Year by the Code and other law as in effect on the Early Termination Date, and the Blended Rate will be calculated based on such rates and the apportionment factor applicable in such Taxable Year;

(3) any loss carryovers generated by the Basis Adjustment or the Imputed Interest and available as of the date of the Early Termination Schedule will be utilized by the Corporation on a pro rata basis from the date of the Early Termination Schedule through the scheduled expiration date of such loss carryovers or, if there is no such scheduled expiration date, over the 15-year period after such carryforwards were generated; (4) any non-amortizable assets are deemed to be disposed of on the earlier of the Early Termination Date or the fifteenth (15^{th}) anniversary of the applicable Basis Adjustment; and (5) if, at the Early Termination Date, there are Units that have not been Exchanged, then each such Unit shall be deemed to be Exchanged for the Market Value of the Class A Shares and the amount of cash that would be transferred if the Exchange occurred on the Early Termination Date.

"Voting Group" means the persons and entities defined as "Stockholders" under that certain Voting Agreement, dated the date hereof, by and among the Corporation and the Stockholders identified therein.

ARTICLE II

DETERMINATION OF REALIZED TAX BENEFIT

Section 2.01 Exchange Basis Schedule. Within 180 calendar days after the filing of the U.S. federal income tax return of the Corporation for each Taxable Year in which any Exchange has been effected, the Corporation shall deliver to the Applicable Member a schedule (the "Exchange Basis Schedule") that shows, in reasonable detail, for purposes of Taxes, (i) the actual unadjusted tax basis of the Adjusted Assets as of each applicable Exchange Date, (ii) the Basis Adjustment with respect to the Adjusted Assets as a result of the Exchanges effected in such Taxable Year and all prior Taxable Years, calculated (a) in the aggregate and (b) solely with respect to Exchanges by the Applicable Member, (iii) the period or periods, if any, over which the Adjusted Assets are amortizable and/or depreciable, and (iv) the period or periods, if any, over which each Basis Adjustment is amortizable and/or depreciable.

Section 2.02 Tax Benefit Schedule. Within 180 calendar days after the filing of the U.S. federal income tax return of the Corporation for any Taxable Year in which there is a Realized Tax Benefit or Realized Tax Detriment, the Corporation shall provide to the Applicable Member a schedule showing, in reasonable detail, the calculation of the Realized Tax Benefit or Realized Tax Detriment for such Taxable Year (a "Tax Benefit Schedule"). The Schedule will become final as provided in Section 2.03(a) of this Agreement and may be amended as provided in Section 2.03(b) of this Agreement.

Section 2.03 Procedures, Amendments

(a) Procedure. Every time the Corporation delivers to the Applicable Member an applicable Schedule under this Agreement, including any Amended Schedule delivered pursuant to Section 2.03(b) and any Early Termination Schedule or amended Early Termination Schedule delivered pursuant to Section 4.02, the Corporation shall also (x) deliver to the Applicable Member schedules and work papers providing reasonable detail regarding the preparation of the Schedule and an Advisory Firm Letter supporting such Schedule, provided that an Advisory Firm Letter shall not be required at any time during which the Voting Group Beneficially Owns, directly

or indirectly, securities of the Corporation representing more than fifty percent (50%) of the combined voting power of the Corporation's then-outstanding voting securities, and (y) allow the Applicable Member reasonable access at no cost to the appropriate representatives of the Corporation and the Advisory Firm in connection with a review of such Schedule. The applicable Schedule shall become final and binding on all parties unless the Applicable Member, within thirty (30) calendar days after receiving an Exchange Basis Schedule or amendment thereto or within thirty (30) calendar days after receiving a Tax Benefit Schedule or amendment thereto, provides the Corporation with notice of a material objection to such Schedule ("Objection Notice") made in good faith. If the parties, for any reason, are unable to successfully resolve the issues raised in an Objection Notice within thirty (30) calendar days of receipt by the Corporation of such Notice, the Corporation and the Applicable Member shall employ the reconciliation procedures as described in Section 7.09 of this Agreement (the "Reconciliation Procedures").

(b) Amended Schedule. The applicable Schedule for any Taxable Year shall be amended from time to time by the Corporation (i) in connection with a Determination affecting such Schedule, (ii) to correct material inaccuracies in the Schedule identified as a result of the receipt of additional factual information relating to a Taxable Year after the date the Schedule was provided to the Applicable Member, (iii) to correct computational errors set forth in such Schedule, (iv) to comply with the Expert's determination under the Reconciliation Procedures, (v) to reflect a material change in the Realized Tax Benefit or Realized Tax Detriment for such Taxable Year attributable to a carryback or carryforward of a loss or other tax item to such Taxable Year, (vi) to reflect a material change in the Realized Tax Benefit or Realized Tax Detriment for such Taxable Year attributable to an amended Tax Return filed for such Taxable Year, or (vii) to adjust the Exchange Basis Schedule to take into account payments made pursuant to this Agreement (such Schedule, an "Amended Schedule").

ARTICLE III

TAX BENEFIT PAYMENTS

Section 3.01 Payments

(a) Within five (5) Business Days of a Tax Benefit Schedule delivered to an Applicable Member becoming final in accordance with Section 2.03(a), or earlier in the Corporation's discretion, the Corporation shall pay to the Applicable Member for such Taxable Year the Tax Benefit Payment determined pursuant to Section 3.01(b) in the amount Attributable to the Applicable Member. Each such Tax Benefit Payment shall be made by wire transfer of immediately available funds to a bank account of the Applicable Member previously designated by such Member to the Corporation. For the avoidance of doubt, no Tax Benefit Payment shall be made in respect of estimated tax payments, including, without limitation, federal income tax payments.

(b) A "Tax Benefit Payment" means an amount, not less than zero, equal to the sum of the Net Tax Benefit and the Interest Amount. The "Net Tax Benefit" for each Taxable Year shall be an amount equal to the excess, if any, of 85% of the Cumulative Net Realized Tax Benefit as of the end of such Taxable Year over the total amount of payments previously made under this Section 3.01, excluding payments attributable to the Interest Amount; provided, however,

that for the avoidance of doubt, no Member shall be required to return any portion of any previously made Tax Benefit Payment. The "Interest Amount" for a given Taxable Year shall equal the interest on the Net Tax Benefit for such Taxable Year calculated at the Agreed Rate from the due date (without extensions) for filing the Corporation Return with respect to Taxes for the most recently ended Taxable Year until the Payment Date. In the case of a Tax Benefit Payment made in respect of an Amended Schedule, the "Interest Amount" shall equal the interest on the Net Tax Benefit for such Taxable Year calculated at the Agreed Rate from the date of such Amended Schedule becoming final in accordance with Section 2.03(a) until the Payment Date. The Net Tax Benefit and the Interest Amount shall be determined separately with respect to each separate Exchange, on a Common Unit-by-Common Unit basis by reference to the Amount Realized by the Applicable Member on the Exchange of a Common Unit and the resulting Basis Adjustment to the Corporation.

Section 3.02 No Duplicative Payments. It is intended that the provisions of this Agreement will not result in duplicative payment of any amount (including interest) required under this Agreement. It is also intended that the provisions of this Agreement will result in 85% of the Corporation's Cumulative Net Realized Tax Benefit, and the Interest Amount thereon, being paid to the Members pursuant to this Agreement. The provisions of this Agreement shall be construed in the appropriate manner so that these fundamental results are achieved.

Section 3.03 Pro Rata Payments. For the avoidance of doubt, to the extent (i) the Corporation's deductions with respect to any Basis Adjustment or Imputed Interest are limited in a particular Taxable Year or (ii) the Corporation lacks sufficient funds to satisfy its obligations to make all Tax Benefit Payments due in a particular Taxable Year, the limitation on the deductions, or the Tax Benefit Payments that may be made, as the case may be, shall be taken into account or made for the Applicable Member in the same proportion as Tax Benefit Payments would have been made absent the limitations set forth in clauses (i) and (ii) of this paragraph, as applicable.

ARTICLE IV

TERMINATION

Section 4.01 Early Termination and Breach of Agreement.

(a) With the written approval of a majority of the Independent Directors, the Corporation may terminate this Agreement with respect to all of the Common Units held (or previously held and exchanged) by all Members at any time by paying to all of the Members the Early Termination Payment; provided, however, that this Agreement shall only terminate upon the receipt of the Early Termination Payment by all Members, and provided, further, that the Corporation may withdraw any notice to execute its termination rights under this Section 4.01(a) prior to the time at which any Early Termination Payment has been paid. Upon payment of the Early Termination Payment by the Corporation, neither the Applicable Members nor the Corporation shall have any further payment obligations under this Agreement in respect of such Members, other than for any (a) Tax Benefit Payment agreed to by the Corporation and an Applicable Member as due and payable but unpaid as of the Early Termination Notice and (b) Tax Benefit Payment due for the Taxable Year ending with or including the date of the Early Termination Notice (except to the extent that the amount described in clause (b) is included in the Early Termination Payment). For the avoidance of doubt, if an Exchange occurs after the

Corporation makes the Early Termination Payment with respect to all Members, the Corporation shall have no obligations under this Agreement with respect to such Exchange, and its only obligations under this Agreement in such case shall be its obligations to all Members under Section 4.03(a).

(b) In the event of a Change of Control, all payment obligations hereunder shall be accelerated and calculated as if an Early Termination Notice had been delivered on the effective date of the Change of Control, using the Valuation Assumptions and by substituting, in each case, the term "the closing date of a Change of Control" for the term "Early Termination Date." Such payment obligations shall include, but not be limited to, (i) payment of the Early Termination Payment calculated as if an Early Termination Notice had been delivered on the effective date of a Change of Control, (ii) payment of any Tax Benefit Payment previously due and payable but unpaid as of the Early Termination Notice, and (iii) except to the extent included in the Early Termination Payment or if included as a payment under clause (ii) of this Section 4.01(b), payment of any Tax Benefit Payment due for any Taxable Year ending prior to, with or including the effective date of a Change of Control. Sections 4.02 and 4.03 shall apply to a Change of Control *mutadis mutandi*.

(c) In the event that the Corporation breaches any of its material obligations under this Agreement, whether as a result of failure to make any payment when due, failure to honor any other material obligation required hereunder or by operation of law as a result of the rejection of this Agreement in a case commenced under the Bankruptcy Code or otherwise, and does not cure such breach within ninety (90) days of receipt of notice of such breach from such Member, then all obligations hereunder shall be accelerated and such obligations shall be calculated as if an Early Termination Notice had been delivered on the date of such breach and shall include, but not be limited to, (1) the Early Termination Payment calculated as if an Early Termination Notice had been delivered on the date of a breach, (2) any Tax Benefit Payment agreed to by the Corporation and any Members as due and payable but unpaid as of the date of a breach, and (3) any Tax Benefit Payment due for the Taxable Year ending with or including the date of a breach. Notwithstanding the foregoing, in the event that the Corporation breaches this Agreement, the Members shall be entitled to elect to receive the amounts set forth in clauses (1), (2), and (3), above or to seek specific performance of the terms hereof. The parties agree that the failure to make any payment due pursuant to this Agreement within three months of the date such payment is due shall be deemed to be a breach of a material obligation under this Agreement for all purposes of this Agreement, and that it will not be considered to be a breach of a material obligation under this Agreement to make a payment due pursuant to this Agreement within three months of the date such payment is due. Notwithstanding anything in this Agreement to the contrary, it shall not be a breach of a material obligation under this Agreement if the Corporation fails to make any Tax Benefit Payment when due to the extent that the Corporation has insufficient funds, and cannot take commercially reasonable actions to obtain sufficient funds, to make such payment; provided that the interest provisions of Section 5.02 shall apply to such late payment (unless the Corporation does not have sufficient cash to make such payment as a result of limitations imposed by and Senior Obligations, in which case, Section 5.02 shall apply, but the Default Rate shall be replaced by the Agreed Rate).

(d) The undersigned parties hereby acknowledge and agree that the timing, amounts and aggregate value of Tax Benefit Payments pursuant to this Agreement are not reasonably ascertainable.

Section 4.02 Early Termination Notice. If the Corporation chooses to exercise its right of early termination under Section 4.01 above, the Corporation shall deliver to each Member notice of such intention to exercise such right ("Early Termination Notice") and a schedule (the "Early Termination Schedule") specifying the Corporation's intention to exercise such right and showing in reasonable detail the calculation of the Early Termination Payment. The applicable Early Termination Schedule shall become final and binding on all parties unless the Applicable Member, within thirty (30) calendar days after receiving the Early Termination Schedule thereto provides the Corporation with notice of a material objection to such Schedule made in good faith ("Material Objection Notice"). If the parties, for any reason, are unable to successfully resolve the issues raised in such notice within thirty (30) calendar days after receipt by the Corporation of the Material Objection Notice, the Corporation and the Applicable Member shall employ the Reconciliation Procedures as described in Section 7.09 of this Agreement.

Section 4.03 Payment upon Early Termination.

(a) Within three (3) Business Days after agreement between the Applicable Member and the Corporation of the Early Termination Schedule, the Corporation shall pay to the Applicable Member an amount equal to the Early Termination Payment. Such payment shall be made by wire transfer of immediately available funds to a bank account designated by the Applicable Member.

(b) The "Early Termination Payment" as of the date of the delivery of an Early Termination Schedule shall equal with respect to the Applicable Member the present value, discounted at the Early Termination Rate as of such date, of all Tax Benefit Payments that would be required to be paid by the Corporation to the Applicable Member beginning on the Early Termination Date and assuming that the Valuation Assumptions are applied.

ARTICLE V

SUBORDINATION AND LATE PAYMENTS

Section 5.01 Subordination. Notwithstanding any other provision of this Agreement to the contrary, any Tax Benefit Payment or Early Termination Payment required to be made by the Corporation to a Member or to the Members under this Agreement (an "Exchange Payment") shall rank subordinate and junior in right of payment to any principal, interest, or other amounts due and payable in respect of any obligations in respect of indebtedness for borrowed money of the Corporation and its Subsidiaries ("Senior Obligations") and shall rank pari passu with all current or future unsecured obligations of the Corporation that are not Senior Obligations.

Section 5.02 Late Payments by the Corporation. The amount of all or any portion of any Exchange Payment not made to any Member when due under the terms of this Agreement shall be payable together with any interest thereon, computed at the Default Rate and commencing on the date on which such Exchange Payment was due and payable.

ARTICLE VI

NO DISPUTES; CONSISTENCY; COOPERATION

Section 6.01 Member Participation in the Corporation's and Company's Tax Matters. Except as otherwise provided herein, the Corporation shall have full responsibility for, and sole discretion over, all Tax matters concerning the Corporation and the Company, including without limitation the preparation, filing, or amending of any Tax Return and defending, contesting, or settling any issue pertaining to Taxes. Notwithstanding the foregoing, the Corporation shall notify the Members of, and keep the Members reasonably informed with respect to, the portion of any audit of the Corporation and the Company by a Taxing Authority the outcome of which is reasonably expected to materially affect the Members' rights and obligations under this Agreement, and shall provide to the Members reasonable opportunity to provide information and other input to the Corporation, the Company and their respective advisors concerning the conduct of any such portion of such audit; provided, however, that the Corporation and the Company shall not be required to take any action that is inconsistent with any provision of the LLC Operating Agreement.

Section 6.02 Consistency. Unless there is a Determination or the opinion of an Advisory Firm that is reasonably acceptable to the Corporation, the Corporation and the Members agree to report and cause to be reported for all purposes, including federal, state, local and foreign Tax purposes and financial reporting purposes, all Tax-related items (including without limitation the Basis Adjustment and each Tax Benefit Payment) in a manner consistent with that specified by the Corporation in any Schedule required to be provided by or on behalf of the Corporation under this Agreement. Any Dispute concerning such advice shall be subject to the terms of Section 7.09. In the event that an Advisory Firm is replaced with another Advisory Firm, such replacement Advisory Firm shall perform its services under this Agreement using procedures and methodologies consistent with the previous Advisory Firm, unless otherwise required by law or unless the Corporation and the Members agree to the use of other procedures and methodologies.

Section 6.03 Cooperation. The Members shall each (a) furnish to the Corporation in a timely manner such information, documents and other materials as the Corporation may reasonably request for purposes of making any determination or computation necessary or appropriate under this Agreement, preparing any Tax Return or contesting or defending any audit, examination or controversy with any Taxing Authority, (b) make itself available to the Corporation and its representatives to provide explanations of documents and materials and such other information as the Corporation or its representatives may reasonably request in connection with any of the matters described in clause (a) above, and (c) reasonably cooperate in connection with any such matter, and the Corporation shall reimburse each Member for any reasonable third-party costs and expenses incurred pursuant to this Section.

ARTICLE VII

MISCELLANEOUS

Section 7.01 Addresses and Notices. Any notice, consent, request, claim, demand and other communication required or permitted to be given by any provision of this Agreement shall be in writing and may be (i) delivered personally to the Person or to an officer of the Person to

whome the same is directed, (ii) sent by faccimile, overnight mail or registered or certified mail, return receipt requested, postage prepaid or (iii) (except to the Company or the Corporation) sent by e-mail, with electronic, written or oral confirmation of receipt, in each case to the Company or the Corporation, as applicable, at the address set forth below and to any other recipient and to any Member at such address as indicated by the Company's records, or at such address or to the attention of the other Person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been delivered, given and received hereunder (a) as of the date so delivered, if delivered personally, (b) upon receipt, if sent by facsimile or e-mail (provided confirmation of transmission is received) or (c) on the date of receipt or refusal indicated on the return receipt, if sent by registered or certified mail, return receipt requested, postage and charges prepaid and properly addressed.

The Company's address is:

SDC Financial LLC
414 Union Street
Nashville, Tennessee 37219
Attn: [·]

with a copy (which copy shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Attn: David Goldschmidt
David Polster
Email: david.goldschmidt@skadden.com
david.polster@skadden.com

The Corporation's address is:

SmileDirectClub, Inc.

414 Union Street
Nashville, Tennessee 37219
Attn: [·]

with a copy (which copy shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Attn: David Goldschmidt
David Polster
Email: david.goldschmidt@skadden.com
david.polster@skadden.com

Any party may change its address, e-mail or facsimile number by giving the other party written notice of its new address, e-mail or facsimile number in the manner set forth above.

Section 7.02 Counterparts. This Agreement may be executed in any number of counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to the other parties (including via facsimile or other electronic transmission), it being understood that all parties need not sign the same counterpart.

Section 7.03 Entire Agreement; No Third Party Beneficiaries. This Agreement, those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter in any way. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and their respective successors and permitted assigns, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 7.04 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to the conflicts of laws principles thereof that would mandate the application of the laws of another jurisdiction.

Section 7.05 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law or rule in any jurisdiction, the invalidity, illegality or unenforceability will not affect any other provision or the effectiveness or validity of any provision in any other jurisdiction, and this Agreement will be reformed, construed and enforced in that jurisdiction as if the invalid, illegal or unenforceable provision had never been contained herein.

Section 7.06 Successors; Assignment; Amendments; Waivers.

(a) No Member may assign this Agreement to any person without the prior written consent of the Corporation; provided, however, that (i) to the extent Common Units are effectively transferred in accordance with the terms of the LLC Operating Agreement, and any other agreements the Members may have entered into with each other, or a Member may have entered into with the Corporation and/or the Company, the transferring Member shall assign to the transferee of such Common Units the transferring Member's rights under this Agreement with respect to such transferred Common Units, as long as such transferee has executed and delivered, or, in connection with such transfer, executes and delivers, a joinder to this Agreement, in form and substance reasonably satisfactory to the Corporation, agreeing to become a "Member" for all purposes of this Agreement, except as otherwise provided in such joinder, and (ii) that, once an Exchange has occurred, any and all payments that may become payable to a Member pursuant to this Agreement with respect to such Exchange may be assigned to any Person or Persons, as long as any such Person has executed and delivered, or, in connection with such assignment, executes and delivers, a joinder to this Agreement, in form and substance reasonably satisfactory to the Corporation, agreeing to be bound by Section 7.12 and acknowledging specifically the second

paragraph in this Section 7.06. For the avoidance of doubt, to the extent a Member or other Person transfers Common Units to a Member as may be permitted by any agreement to which the Company is a party, the Member receiving such Common Units shall have all rights under this Agreement with respect to such transferred Common Units as such Member has, under this Agreement, with respect to the other Common Units held by him.

(b) Notwithstanding the foregoing provisions of this Section 7.06, no transferee described in clause (i) of the immediately preceding paragraph shall have the right to enforce the provisions of Section 2.03, 4.02, 6.01 or 6.02 of this Agreement, and no assignee described in clause (ii) of the immediately preceding paragraph shall have any rights under this Agreement except for the right to enforce its right to receive payments under this Agreement.

(c) No provision of this Agreement may be amended unless such amendment is approved in writing by each of the Corporation and the Company, and by Members who would be entitled to receive at least two-thirds of the Early Termination Payment payable to all Members hereunder if the Corporation had exercised its right of early termination on the date of the most recent Exchange prior to such amendment (excluding, for purposes of this sentence, all payments made to any Member pursuant to this Agreement since the date of such most recent Exchange); provided that no such amendment shall be effective if such amendment will have a disproportionate adverse effect on the payments certain Members will or may receive under this Agreement unless (i) such disproportionate effect is a result of tax laws imposed by government authorities in non-U.S. jurisdictions or (ii) all such Members disproportionately affected consent in writing to such amendment. No provision of this Agreement may be waived unless such waiver is in writing and signed by the party against whom the waiver is to be effective.

(d) All of the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the parties hereto and their respective successors, assigns, heirs, executors, administrators and legal representatives. The Corporation shall require and cause any direct or indirect successor (whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Corporation, by written agreement, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform if no such succession had taken place.

Section 7.07 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

Section 7.08 Submission to Jurisdiction; Dispute Resolution.

(a) Any and all disputes which are not governed by Section 7.09, including but not limited to any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, performance or non-performance of this Agreement (including the validity, scope and enforceability of this arbitration provision) (each a "Dispute") shall be finally settled by arbitration conducted by a single arbitrator in New York, New York in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect, except as such rules may be modified in this Section 7.08. If the parties to the Dispute fail to agree

on the selection of an arbitrator within ten (10) days of the receipt of the request for arbitration, the International Chamber of Commerce shall make the appointment. The arbitrator shall be a lawyer admitted to the practice of law in the State of New York and shall conduct the proceedings in the English language. Performance under this Agreement shall continue if reasonably possible during any arbitration proceedings. In addition to monetary damages, the arbitrator shall be empowered to award equitable relief, including, but not limited to, an injunction and specific performance of any obligation under this Agreement. The arbitrator is not empowered to award damages in excess of compensatory damages, and each party hereby irrevocably waives any right to recover punitive, exemplary, or similar damages with respect to any Dispute. The award shall be final and binding upon the parties as from the date rendered, and shall be the sole and exclusive remedy between the parties regarding any claims, counterclaims, issues, or accounting presented to the arbitral tribunal. Judgment upon any award may be entered and enforced in any court having jurisdiction over a party or any of its assets. Notwithstanding the foregoing, any Dispute as to the interpretation of this Agreement shall be resolved by the Corporation in its sole discretion, provided that such resolution shall reflect a reasonable interpretation of the provisions of this Agreement and that such resolution shall not be inconsistent with the fundamental results described in Section 3.02 of this Agreement.

(b) Notwithstanding the provisions of paragraph (a), the Corporation may bring an action or special proceeding in any court of competent jurisdiction for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, and/or enforcing an arbitration award and, for the purposes of this paragraph (b), each Member (i) expressly consents to the application of paragraph (c) of this Section 7.08 to any such action or proceeding, (ii) agrees that proof shall not be required that monetary damages for breach of the provisions of this Agreement would be difficult to calculate and that remedies at law would be inadequate, and (iii) irrevocably appoints the Corporation as such Member's agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise such Member of any such service of process, shall be deemed in every respect effective service of process upon the Member in any such action or proceeding.]

(c) EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF COURTS LOCATED IN DELAWARE FOR THE PURPOSE OF ANY JUDICIAL PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF PARAGRAPH (B) OF THIS Section 7.08, OR ANY JUDICIAL PROCEEDING ANCILLARY TO AN ARBITRATION OR CONTEMPLATED ARBITRATION ARISING OUT OF OR RELATING TO OR CONCERNING THIS AGREEMENT. Such ancillary judicial proceedings include any suit, action or proceeding to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration, or to confirm an arbitration award. The parties acknowledge that the forum designated by this paragraph (c) have a reasonable relation to this Agreement, and to the parties' relationship with one another;

(i) The parties hereby waive, to the fullest extent permitted by applicable law, any objection which they now or hereafter may have to personal jurisdiction or to the laying of venue of any such ancillary suit, action or proceeding brought in any court referred to in paragraph (c) of this Section 7.08 and such parties agree not to plead or claim the same; and

(ii) The parties hereby waive in connection with any Dispute any and all rights to a jury trial.

Section 7.09 Reconciliation. In the event that the Corporation and an Applicable Member are unable to resolve a disagreement with respect to the matters governed by Sections 2.04, 4.02, and 6.02 within the relevant period designated in this Agreement ("Reconciliation Dispute"), the Reconciliation Dispute shall be submitted for determination to a nationally recognized expert (the "Expert") in the particular area of disagreement mutually acceptable to both parties. The Expert shall be a partner in a nationally recognized accounting firm or a law firm (other than the Advisory Firm), and the Expert shall not, and the firm that employs the Expert shall not, have any material relationship with either the Corporation or the Applicable Member or other actual or potential conflict of interest. If the parties are unable to agree on an Expert within fifteen (15) calendar days of receipt by the respondent(s) of written notice of a Reconciliation Dispute, the Expert shall be appointed by the International Chamber of Commerce Centre for Expertise. The Expert shall resolve any matter relating to the Exchange Basis Schedule or an amendment thereto or the Early Termination Schedule or an amendment thereto within thirty (30) calendar days and shall resolve any matter relating to a Tax Benefit Schedule or an amendment thereto within fifteen (15) calendar days or as soon thereafter as is reasonably practicable, in each case after the matter has been submitted to the Expert for resolution. Notwithstanding the preceding sentence, if the matter is not resolved before the date any payment that is the subject of a disagreement would be due (in the absence of such disagreement) or any Tax Return reflecting the subject of a disagreement is due, such payment shall be paid on the date such payment would be due and such Tax Return may be filed as prepared by the Corporation, subject to adjustment or amendment upon resolution. The costs and expenses relating to the engagement of such Expert or amending any Tax Return shall be borne by the Corporation; except as provided in the next sentence. The Corporation and each Applicable Member shall bear their own costs and expenses of such proceeding, unless the Applicable Member has a prevailing position that is more than ten percent (10%) of the payment at issue, in which case the Corporation shall reimburse such Applicable Member for any reasonable out-of-pocket costs and expenses in such proceeding. Any dispute as to whether a dispute is a Reconciliation Dispute within the meaning of this Section 7.09 shall be decided by the Expert. The Expert shall finally determine any Reconciliation Dispute and the determinations of the Expert pursuant to this Section 7.09 shall be binding on the Corporation and the Applicable Member and may be entered and enforced in any court having jurisdiction.

Section 7.10 Withholding. The Corporation shall be entitled to deduct and withhold from any payment payable pursuant to this Agreement such amounts as the Corporation is required to deduct and withhold with respect to the making of such payment under the Code, or any provision of state, local, or foreign Tax law. To the extent that amounts are so withheld and paid over to the appropriate Taxing Authority by the Corporation, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Applicable Member.

Section 7.11 Admission of the Corporation into a Consolidated Group; Transfers of Corporate Assets.

(a) If the Corporation becomes a member of an affiliated or consolidated group of corporations that files a consolidated income tax return pursuant to sections 1501 et seq. of the Code or any corresponding provisions of state, local or foreign law, then: (i) the provisions of

this Agreement shall be applied with respect to the group as a whole; and (ii) Tax Benefit Payments, Early Termination Payments, and other applicable items hereunder shall be computed with reference to the consolidated taxable income of the group as a whole.

(b) Notwithstanding any other provision of this Agreement, if the Corporation acquires one or more assets that, as of an Exchange Date, have not been contributed to the Company (other than the Corporation's interests in the Company) (such assets, "Excluded Assets"), then all Tax Benefit Payments due hereunder shall be computed as if such assets had been contributed to the Company on the date such assets were first acquired by the Corporation; provided, however, that if an Excluded Asset consists of stock in a corporation, then, for purposes of this Section 7.11(b), such corporation (and any corporation Controlled by such corporation) shall be deemed to have contributed its assets to the Company on the date on which the Corporation acquired stock of such corporation.

(c) If any entity that is obligated to make an Exchange Payment hereunder transfers one or more assets to a corporation with which such entity does not file a consolidated tax return pursuant to section 1501 of the Code, such entity, for purposes of calculating the amount of any Exchange Payment (e.g., calculating the gross income of the entity and determining the Realized Tax Benefit of such entity) due hereunder, shall be treated as having disposed of such asset in a fully taxable transaction on the date of such contribution. The consideration deemed to be received by such entity shall be equal to the fair market value of the contributed asset (as reasonably determined by the governing body, or the Person responsible for management, of such entity acting in good faith), plus (i) the amount of debt to which such asset is subject, in the case of a contribution of an encumbered asset or (ii) the amount of debt allocated to such asset, in the case of a contribution of a partnership interest.

Section 7.12 Confidentiality.

(a) Each Member and assignee acknowledges and agrees that the information of the Corporation is confidential and, except in the course of performing any duties as necessary for the Corporation and its Affiliates, as required by law or legal process or to enforce the terms of this Agreement, shall keep and retain in the strictest confidence and not disclose to any Person any confidential matters, acquired pursuant to this Agreement, of the Corporation, its Affiliates and successors and the other Members, confidential information concerning the Corporation, its Affiliates and successors, and the other Members, including marketing, investment, performance data, credit and financial information, and other business affairs of the Corporation, its Affiliates and successors, and the other Members learned of by the Member heretofore or hereafter. This Section 7.12 shall not apply to (i) any information that has been made publicly available by the Corporation or any of its Affiliates, becomes public knowledge (except as a result of an act of such Member in violation of this Agreement) or is generally known to the business community and (ii) the disclosure of information to the extent necessary for a Member to prepare and file his or her tax returns, to respond to any inquiries regarding the same from any taxing authority or to prosecute or defend any action, proceeding or audit by any taxing authority with respect to such returns. Notwithstanding anything to the contrary herein, each Member and assignee (and each employee, representative, or other agent of such Member or assignee, as applicable) may disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of (x) the Corporation, the Company, the Members, and their Affiliates and (y) any of their transactions, and all materials

of any kind (including opinions or other tax analyses) that are provided to the Members relating to such tax treatment and tax structure.

(b) If a Member or assignee commits a breach, or threatens to commit a breach, of any of the provisions of this Section 7.12, the Corporation shall have the right and remedy to have the provisions of this Section 7.12 specifically enforced by injunctive relief or otherwise by any court of competent jurisdiction without the need to post any bond or other security, it being acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to the Corporation or any of its Affiliates or the other Members and that money damages alone shall not provide an adequate remedy to such Persons. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available at law or in equity.

Section 7.13 LLC Operating Agreement. To the extent this Agreement imposes obligations upon the Company or a managing member of the Company, this Agreement shall be treated as part of the LLC Operating Agreement for tax purposes as described in section 761(c) of the Code and sections 1.704-1(b)(2)(ii)(h) and 1.761-1(c) of the Treasury Regulations.

Section 7.14 Joinder. The Corporation hereby agrees that, to the extent it acquires a general partnership interest, managing member interest or similar interest in any Person after the date hereof, it shall cause such Person to execute and deliver a joinder to this Agreement promptly upon acquisition of such interest, and such person shall be treated in the same manner as the Company for all purposes of this Agreement. The Corporation hereby agrees to cause any Corporate Entity that acquires an interest in the Company (or any entity described in the foregoing sentence) to execute a joinder to this Agreement (to the extent such Person is not already a party hereto) promptly upon such acquisition, and such Corporate Entity shall be treated in the same manner as the Corporation for all purposes of this Agreement. The Company shall have the power and authority (but not the obligation) to permit any Person who becomes a member of the Company to execute and deliver a joinder to this Agreement promptly upon acquisition of membership interests in the Company by such Person, and such Person shall be treated as a "Member" for all purposes of this Agreement.

Section 7.15 Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

[Signature page follows]

IN WITNESS WHEREOF, the Corporation, the Company, and each Member have duly executed this Agreement as of the date first written above.

SMILEDIRECTCLUB, INC.

By: _____
Name:
Title:

SDC FINANCIAL LLC

By: _____
Name:
Title:

[MEMBERS]

By: _____
Name:
Title:

Exhibit 10.6

SMILEDIRECTCLUB, INC.
2019 STOCK PURCHASE PLAN

The following constitute the provisions of the 2019 Stock Purchase Plan of SmileDirectClub, Inc.

1. Purpose. The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan, accordingly, shall be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code. However, the Company may grant options pursuant to one or more offerings under the Plan that are not intended to meet the requirements of Code Section 423.

The Plan was adopted by the Board and approved by the Company's stockholders on [·], 2019. The Plan shall become effective on the date of the Company's IPO.

2. Definitions.

(a) "Board" shall mean the Board of Directors of the Company.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(c) "Common Stock" shall mean the Class A Common Stock of the Company.

(d) "Company" shall mean SmileDirectClub, Inc., a Delaware corporation.

(e) "Compensation" shall mean the (i) base salary payable to a Team Member by the Company or one or more Designated Subsidiaries during such individual's period of participation in one or more offerings under the Plan plus (ii) all overtime payments, bonuses, commissions, current profit-sharing distributions and other incentive-type payments received during such period. Such Compensation shall be calculated before deduction of (A) any income, employment or other tax withholdings or (B) any pre-tax contributions made by the Team Member to any Code Section 401(k) salary deferral plan or any Code Section 125 cafeteria benefit program now or hereafter established by the Company or any Subsidiary. However, Compensation shall **not** include any contributions (other than Code Section 401(k) or Code Section 125 contributions deducted from such Compensation) made by the Company or any Subsidiary on the Team Member's behalf to any employee benefit or welfare plan now or hereafter established. The Plan Administrator may make modifications to the definition of Compensation for one or more offerings as deemed appropriate.

(f) "Designated Subsidiaries" shall mean all Subsidiaries of the Company (unless otherwise specified by the Plan Administrator from time to time in its sole discretion).

(g) "Enrollment Date" shall mean the first day of each Offering Period.

(h) "Exercise Date" shall mean the last Trading Day in each Offering Period.

(i) "Fair Market Value" shall mean, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange, its Fair Market Value shall be the closing sales price for such stock as reported by the National Association of Securities Dealers (if primarily traded on the NASDAQ Global Select Market) or as quoted in the composite tape of transactions on any other stock exchange (with the greatest volume of trading in Common Stock) at the end of regular hours trading on the day of such determination (or if no closing price was reported on that day, on the last preceding Trading Day such closing price was reported), as reported in the Wall Street Journal or such other source as the Plan Administrator deems reliable, or;

(ii) If the Common Stock is quoted on the NASDAQ system (but not on the National Market System thereof) or is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high and low asked prices for the Common Stock at the end of regular hours trading on the day of such determination (or if no such prices were reported on that day, on the last preceding Trading Day such prices were reported), as reported in the Wall Street Journal or such other source as the Plan Administrator deems reliable, or;

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Board.

(j) "IPO" shall mean the initial offering of the Company's Common Stock pursuant to a registration statement filed by the Company with the Securities and Exchange Commission.

(k) "Offering Period" shall mean the period of approximately six (6) months as set forth in paragraph 5.

(l) "Plan" shall mean this 2019 Stock Purchase Plan.

(m) "Plan Administrator" shall mean the Board or a committee of the Board appointed by the Board to administer the Plan in accordance with paragraph 14.

(n) "Purchase Price" shall mean an amount equal to 85% of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower; provided, however, the Plan Administrator may establish a higher price for one or more offerings under the Plan.

(o) "Reserves" shall mean the number of shares of Common Stock covered by the options under the Plan which have not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but not yet placed under option.

(p) "Subsidiary" shall mean a corporation, domestic or foreign, of which not less than 50% of the total combined voting power of all classes of stock are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

(q) "Team Member" shall mean any individual who is a regular employee of the Company or a Designated Subsidiary, excluding those individuals who (i) have not been regular employees of the Company or a Designated Subsidiary for, at least, thirty (30) days prior to the Offering Period, (ii) are customarily employed twenty (20) hours or less per week, and (iii) are customarily employed not more than five (5) months in any calendar year. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company. Unless otherwise determined by the Plan Administrator and set forth

in the applicable offering, where the period of leave exceeds three (3) months and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship will be deemed to have terminated on the 1st day following the expiration of such three (3)-month period.

(r) "Trading Day" shall mean a day on which national stock exchanges and the National Association of Securities Dealers Automated Quotation (NASDAQ) System are open for trading.

3. Eligibility.

(a) Options may be granted only to Team Members. Unless otherwise determined by the Plan Administrator for an offering, any Team Member, as defined in paragraph 2, who has been continuously employed by the Company for at least thirty (30) days and who shall be employed by the Company on the Enrollment Date for an Offering Period shall be eligible to participate in the Plan for such Offering Period. For the Initial Offering Period (as defined below), the thirty-day employment requirement above shall not apply and all Team Members employed by the Company's Australian Subsidiary shall not be eligible to participate.

(b) Any provisions of the Plan to the contrary notwithstanding, no Team Member shall be granted an option under the Plan (i) if, immediately after the grant, such Team Member (and any other person whose stock would be attributed to such Team Member pursuant to Section 424(d) of the Code) would own stock and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Subsidiary of the Company, or (ii) which permits his or her rights to purchase stock under all employee stock purchase plans (within the meaning of Section 423 of the Code) of the Company and its Subsidiaries to accrue at a rate which exceeds Twenty-Five Thousand Dollars ($25,000) worth of stock (determined at the Fair Market Value of the shares at the time such option is granted) for each calendar year in which such option is outstanding at any time.

4. Offerings. The Plan shall be implemented through one or more offerings. Offerings may be consecutive or overlapping. Each offering shall be in such form and shall contain such terms and conditions as the Plan Administrator shall deem appropriate. The terms of separate offerings need not be identical; provided, however, that each offering shall comply with the provisions of the Plan and the participants in each offering shall have equal rights and privileges under that offering in accordance with the requirements of Section 423(b)(5) of the Code and the applicable regulations thereunder.

5. Offering Periods. Each offering shall be implemented by consecutive Offering Periods. Each Offering Period shall be for a period of approximately six (6) months and a new Offering Period shall commence on the first Trading Day of the six (6)-month period commencing on May 1 and November 1 of each year and end on the last Trading Day of such six (6)-month period, respectively. The first Offering Period shall commence on the date that the company's pricing committee determines the number of shares of Common Stock to be offered and sold to the public by the Company in the IPO and end on April 30, 2020 (the "Initial Offering Period").

7. Participation.

(a) Enrollment in Initial Offering Period. Any Team Member who is an eligible Team Member determined in accordance with Section 3 immediately prior to the IPO will be automatically enrolled in the Initial Offering Period at a contribution level equal to zero percent (0%) of Compensation (the "Initial Contribution Level"). A participant that is automatically enrolled in the Initial Offering Period pursuant to this section will be entitled to continue to participate in the Initial Offering Period only if such participant submits an enrollment agreement in a form determined by the Plan

Administrator, or electronic representation thereof, to the Company and/or an authorized third party administrator (the "Third Party Administrator") authorizing an increase in his or her contributions to any whole percentage from one percent (1%) to thirty percent (30%), inclusive, (i) no earlier than the date on which an effective registration statement pursuant to Form S-8 is filed with respect to the issuance of Common Stock under this Plan, and (ii) between the dates of Monday, October 7, 2019, and Friday, October 18, 2019, (the "Initial Offering Period Window").

(b) Enrollment in Subsequent Offering Periods. With respect to Offering Periods after the Initial Offering Period, an eligible employee determined in accordance with Section 3 may elect to become a participant by accessing the website designated by the Company and electronically enrolling in an Offering Period or by submitting an enrollment agreement (in such form as the Company may provide) authorizing payroll deductions at least one (1) day prior to the applicable Enrollment Date, unless an earlier or later time for enrolling is set by the Plan Administrator for all eligible Team Members with respect to a given offering or Offering Period.

(c) The Plan Administrator may permit Team Members in one or more offerings to contribute to the Plan by means other than payroll deductions.

8. Payroll Deductions.

(a) At the time a participant enrolls in an Offering Period, he or she shall elect to have payroll deductions made during the Offering Period pursuant to such procedures as the Plan Administrator may specify from time to time and in an amount between one (1%) and thirty percent (30%) of the Compensation which he or she receives during the Offering Period. Payroll deductions shall commence (i) for the Initial Offering Period, on the first payday on or following the end of the Initial Offering Period Window, and (ii) for subsequent Offering Periods, on the first payday following the beginning of any subsequent Offering Period, and in either case shall continue to the end of the applicable Offering Period unless sooner altered or terminated as provided in this Plan.

(b) All payroll deductions made for a participant shall be credited to his or her account under the Plan and will be withheld in whole percentages only. A participant may not make any additional payments into such account unless specifically provided for in the offering.

(c) A participant may discontinue his or her participation in the Plan as provided in paragraph 11, or may decrease the rate of his or her payroll deductions during the current Offering Period by accessing the website designated by the Company and electronically amending his or her enrollment agreement or by submitting a new enrollment agreement (in such form as the Company may provide) authorizing a decrease in payroll deduction rate. The decrease in rate shall be effective with the first full payroll period following ten (10) business days after the Company's receipt of the amended enrollment or earlier to the extent administratively practicable. A participant may increase the rate of his or her payroll deductions for an upcoming Offering Period by accessing the website designated by the Company and electronically amending his or her enrollment agreement or by submitting a new enrollment agreement (in such form as the Company may provide) authorizing an increase in payroll deduction rate within ten (10) business days prior to commencement of the upcoming Offering Period. A participant's enrollment agreement shall remain in effect for successive Offering Periods unless terminated as provided in paragraph 11. The Plan Administrator shall be authorized to limit the number of participation rate changes during any Offering Period.

(d) Notwithstanding the foregoing, to the extent necessary to comply with the limitations of Section 423(b)(8) of the Code and paragraph 3(b)(ii) herein, a participant's payroll deductions may be decreased to 0% during any Offering Period if such participant would, as a result of

such limitations, be precluded from buying any additional Common Stock on the Exercise Date for that Offering Period. The suspension of such deductions shall not terminate the participant's participation in the Plan. Payroll deductions shall recommence at the rate provided in such participant's enrollment agreement at the beginning of the first Offering Period for which the participant is able to purchase shares in compliance with the limitations of Section 423(b)(8) of the Code and paragraph 3(b)(ii) herein, unless terminated by the participant as provided in paragraph 11.

9. Grant of Option. On the Enrollment Date of each Offering Period, each eligible Team Member participating in such Offering Period shall be granted an option to purchase on the Exercise Date for such Offering Period (at the applicable Purchase Price) up to a number of shares of the Company's Common Stock determined by dividing such Team Member's payroll deductions (and contributions) accumulated prior to such Exercise Date and retained in the participant's account as of the Exercise Date by the applicable Purchase Price; provided that such purchase shall be subject to the limitations set forth in paragraphs 3(b) and 14 hereof. However, the maximum number of shares of Common Stock purchasable per participant on any Exercise Date shall not exceed twenty-five thousand U.S. dollars ($25,000) worth of shares (calculated based on the closing price of shares of Common Stock on the first day of the applicable Offering Period), subject to periodic adjustments in the event of certain changes in the Company's capitalization as provided in paragraph 20. Exercise of the option shall occur as provided in paragraph 10, unless the participant has withdrawn pursuant to paragraph 12.

10. Exercise of Option.

(a) Unless a participant withdraws from the Plan as provided in paragraph 11 below, his or her option for the purchase of shares will be exercised automatically on each Exercise Date, and the maximum number of full shares subject to option shall be purchased for such participant at the applicable Purchase Price with the accumulated payroll deductions (and contributions) in his or her account. No fractional shares will be purchased; any payroll deductions accumulated in a participant's account which are not sufficient to purchase a full share shall be retained in the participant's account for the subsequent Offering Period, subject to earlier withdrawal by the participant as provided in paragraph 12. Any other monies left over in a participant's account after the Exercise Date shall be returned to the participant as soon as administratively practicable following the Exercise Date. During a participant's lifetime, a participant's option to purchase shares hereunder is exercisable only by him or her.

(b) At the time the option is exercised, in whole or in part, or at the time some or all of the Company's Common Stock issued under the Plan is disposed of, the participant must make adequate provision for the Company's federal, state, local, foreign or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock. At any time, the Company may, but will not be obligated to, withhold from the participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefit attributable to sale or early disposition of Common Stock by the participant. The Plan Administrator may require the participant to notify the Company before the participant sells or otherwise disposes of any shares acquired under the Plan.

11. Delivery to Broker Account. As promptly as practicable after each Exercise Date on which a purchase of shares occurs, the Company shall deliver the shares purchased by the participant to a brokerage account established for the participant at a Company-designated brokerage firm. The account will be known as the "ESPP Broker Account". The Company may require that, except as otherwise provided below, the deposited shares may not be transferred (either electronically or in certificate form) from the ESPP Broker Account until the later of the following two periods: (i) the end of the two (2)-year

period measured from the Enrollment Date for the Offering Period in which the shares were purchased and (ii) the end of the one (1)-year measured from the Exercise Date for that Offering Period.

Such limitation shall apply both to transfers to different accounts with the same broker and to transfers to other brokerage firms. Any shares held for the required holding period may be transferred (either electronically or in certificate form) to other accounts or to other brokerage firms.

The foregoing procedures shall not in any way limit when the participant may sell his or her shares. Those procedures are designed solely to assure that any sale of shares prior to the satisfaction of the required holding period is made through the ESPP Broker Account. In addition, the participant may request a stock certificate or share transfer from his or her ESPP Broker Account prior to the satisfaction of the required holding period should the participant wish to make a gift of any shares held in that account. However, shares may not be transferred (either electronically or in certificate form) from the ESPP Broker Account for use as collateral for a loan, unless those shares have been held for the required holding period.

The foregoing procedures shall apply to all shares purchased by the participant under the Plan, whether or not the participant continues in Team Member status.

12. Withdrawal; Termination of Employment.

(a) A participant may withdraw all but not less than all the payroll deductions and other contributions, if any, credited to his or her account and not yet used to exercise his or her option under the Plan at any time by accessing the website designated by the Company and electronically withdrawing from the Offering Period or by giving written notice to the Company (in such form as the Company may provide). All of the participant's payroll deductions credited to his or her account will be paid to such participant as soon as practicable after receipt of notice of withdrawal and such participant's option for the Offering Period will be automatically terminated, and no further payroll deductions (or contributions) for the purchase of shares will be made during the Offering Period. If a participant withdraws from an Offering Period, payroll deductions (or contributions) will not resume at the beginning of the succeeding Offering Period unless the participant timely enrolls in that Offering Period.

(b) Upon a participant's ceasing to be a Team Member for any reason or upon termination of a participant's employment relationship (as described in paragraph 2(g)), the payroll deductions and other contributions, if any, credited to such participant's account during the Offering Period but not yet used to exercise the option will be returned to such participant or, in the case of his or her death, to the person or persons entitled thereto under paragraph 15, and such participant's option will be automatically terminated. A participant whose employment is deemed to have terminated under paragraph 2(g) may participate in any future Offering Period in which such individual is eligible to participate by timely enrollment in that Offering Period.

13. Interest. No interest shall accrue on the payroll deductions credited to a participant's account under the Plan unless otherwise required by applicable law.

14. Stock.

(a) The maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be the greater of 7,227,661 or 1.5% of the authorized, issued, and outstanding shares of Common Stock. The share reserve shall be subject to adjustment upon changes in capitalization of the Company as provided in paragraph 19. If on a given Exercise Date the number of shares with respect to which options are to be exercised exceeds the number of shares then

available under the Plan, the Company shall make a pro rata allocation of the shares remaining available for purchase in as uniform a manner as shall be practicable and as it shall determine to be equitable.

(b) In addition, the number of shares of the Company's Common Stock available for issuance under the Plan will automatically increase on the first day of each fiscal year, for a period of not more than ten years from the date the Plan is approved by the holders of capital stock of the Company, commencing on January 1, 2020, and ending on (and including) January 1, 2029, in an amount equal to 1% of the total number of shares of the Company's Common Stock outstanding on the last day of the calendar month prior to the date of such automatic increase. Notwithstanding the foregoing, the Board may act prior to the first day of a given fiscal year to provide that there will be no increase in the number of shares of Common Stock available for issuance under the Plan for such fiscal year or that the increase in the number of shares of Common Stock available for issuance under the Plan for such year will be a lesser number of shares of Common Stock than would otherwise occur pursuant to the preceding sentence.

(c) The participant will have no interest or voting right in shares covered by his option until such option has been exercised and the participant has become a holder of record of the purchased shares.

15. Administration.

(a) The Plan shall be administered by the Board of the Company or a committee of members of the Board appointed by the Board. The Board or its committee shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility and to adjudicate all disputed claims filed under the Plan. Every finding, decision and determination made by the Board or its committee shall, to the full extent permitted by law, be final and binding upon all parties. Members of the Board who are eligible Team Members are permitted to participate in the Plan, provided that:

(i) Members of the Board who are eligible to participate in the Plan may not vote on any matter affecting the administration of the Plan or the grant of any option pursuant to the Plan.

(ii) If a committee is established to administer the Plan, no member of the Board who is eligible to participate in the Plan may be a member of the committee.

(b) In addition, subject to the provisions of the Plan and, in the case of a committee, the specific duties delegated by the Board to such committee, the Board shall have the authority, in its sole discretion to approve addenda pursuant to Section 15(c) hereof to accommodate participation of Team Members employed by a non-U.S. Subsidiary with such terms and conditions as the Board deems necessary or appropriate to accommodate differences in local law, tax policy or custom which deviate from the terms and conditions set forth in this Plan to the extent necessary or appropriate to accommodate such differences.

(c) The Board may approve such addenda to the Plan as it may consider necessary or appropriate to accommodate differences in local law, tax policy or custom, which, if so required under applicable laws, may deviate from the terms and conditions set forth in this Plan. The terms of any such addenda shall supersede the terms of the Plan to the extent necessary to accommodate such differences but shall not otherwise affect the terms of the Plan as in effect for any other purpose.

16. Designation of Beneficiary.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such participant of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to exercise of the option. If a participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the participant (and his or her spouse, if any) at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

17. Transferability. Neither payroll deductions (or contributions) credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in paragraph 15 by the participant). Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with paragraph 11.

18. Use of Funds. All payroll deductions (and contributions) received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such monies unless otherwise required by applicable law.

19. Reports. Individual book accounts will be maintained for each participant in the Plan. Statements of account will be given to participating Team Members at least annually, which statements will set forth the amounts of payroll deductions, the Purchase Price, the number of shares purchased and the remaining cash balance, if any.

20. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the stockholders of the Company, the Reserves as well as the number of shares and price per share of Common Stock covered by each option under the Plan which has not yet been exercised and the maximum number of shares that may be purchased per participant on any Exercise Date, shall be equitably adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration". Such adjustment shall be made by the Plan Administrator, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option. The Plan Administrator may, if it so determines in the exercise of its sole discretion, make provision for adjusting the Reserves as well as the price per share of Common Stock covered by each outstanding option and the maximum number of shares that may be purchased per participant on any Exercise Date, in the event the

Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding Common Stock.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Offering Periods will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Plan Administrator.

(c) Merger or Asset Sale. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each option under the Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Plan Administrator determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, to shorten the Offering Periods then in progress by setting a new Exercise Date (the "New Exercise Date"). If the Plan Administrator shortens the Offering Periods then in progress in lieu of assumption or substitution in the event of a merger or sale of assets, the Plan Administrator shall notify each participant in writing, at least ten (10) days prior to the New Exercise Date, that the Exercise Date for his option has been changed to the New Exercise Date and that his option will be exercised automatically on the New Exercise Date, unless prior to such date he has withdrawn from the Offering Period as provided in paragraph 11. For purposes of this paragraph, an option granted under the Plan shall be deemed to be assumed if, following the sale of assets or merger, the option confers the right to purchase, for each share of option stock subject to the option immediately prior to the sale of assets or merger, the consideration (whether stock, cash or other securities or property) received in the sale of assets or merger by holders of Common Stock for each share of Common Stock held on the effective date of the transaction (and if such holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if such consideration received in the sale of assets or merger was not solely common stock of the successor corporation or its parent (as defined in Section 424(e) of the Code), the Plan Administrator may, with the consent of the successor corporation and the participant, provide for the consideration to be received upon exercise of the option to be solely common stock of the successor corporation or its parent equal in fair market value to the per share consideration received by holders of Common Stock in the sale of assets or merger.

21. Amendment or Termination.

(a) The Board may at any time and for any reason terminate or amend the Plan. Except as provided in paragraphs 19 and 20 or as necessary to comply with applicable laws or regulations, no such termination or amendment can adversely affect options previously granted without the consent of the affected participant. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision) or any other applicable law or regulation, the Company shall obtain stockholder approval in such a manner and to such a degree as required.

(b) Without stockholder consent and without regard to whether any participant rights may be considered to have been "adversely affected," the Plan Administrator shall be entitled to change the Offering Periods, change the maximum number of shares of Common Stock purchasable per participant on any Exercise Date, limit the frequency and/or number of changes in the amount withheld during Offering Periods, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation or contributed by the participant, and

establish such other limitations or procedures as Plan Administrator determines in its sole discretion advisable which are consistent with the Plan.

22. Notices. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

23. Conditions Upon Issuance of Shares. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance. In addition, should the Plan not be registered on an Exercise Date of any Offering Period in any foreign jurisdiction in which such registration is required, then no options granted with respect to the Offering Period to employees in that foreign jurisdiction shall be exercised on such Exercise Date, and all contributions accumulated on behalf of such employees during the Offering Period ending with such Exercise Date shall be distributed to the participating employees in that foreign jurisdiction without interest unless the terms of the offering specifically provide otherwise or otherwise required by applicable law.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

24. Governing Law. The Plan and the rights of all persons under the Plan shall be construed and administered in accordance with the laws of the State of Delaware without regard to its conflict of law principles.

25. Term of Plan. The Plan was adopted by the Board and approved by the Company's stockholders on August 29, 2019. The Plan shall become effective on the date of the Company's IPO. It shall continue in effect until August 29, 2029 unless sooner terminated under paragraph 20.

Exhibit 10.7

SMILEDIRECTCLUB, INC.
CHANGE IN CONTROL SEVERANCE AGREEMENT

This CHANGE IN CONTROL SEVERANCE AGREEMENT (this "Agreement") is entered into as of [•], 2019 (the "Effective Date"), by and between SmileDirectClub, Inc. (the "Company"), and [•] (the "Participant").

RECITALS

WHEREAS, the Board of Directors of the Company believes it is in the best interests of the Company to enter into this Agreement with the Participant in order to assure continuity of senior management and to reinforce and encourage the Participant's continued attention and dedication to the Participant's duties and responsibilities without distraction in the event of the possibility of a Change in Control (as defined below); and

WHEREAS, the Company and the Participant desire to enter into this Agreement setting forth the terms and conditions for the payment of compensation to the Participant in the event of a qualifying termination of the Participant's Continuous Service Status in connection with a Change in Control during the term of this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants and agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:

Section 1. Definitions. For purpose of this Agreement, the following defined terms shall have the meanings set forth below:

(a) "Applicable Laws" means all applicable laws, rules, regulations and requirements, including, but not limited to, all applicable U.S. federal, state or local laws, any stock exchange rules or regulations and the applicable laws, rules or regulations of any other country or jurisdiction where the Participant resides or provided services, as such laws, rules and regulations shall be in effect from time to time.

(b) "Board" means the Board of Directors of the Company.

(c) "Cause" for termination of the Participant's Continuous Service Status will exist if the Participant's Continuous Service Status is terminated for any of the following reasons: (i) Participant's willful failure to perform his or her duties and responsibilities to the Company or Participant's violation of any written Company policy; (ii) Participant's commission of any act of fraud, embezzlement or dishonesty, or any other misconduct that has caused or is reasonably expected to result in injury to the Company (including, for the avoidance of doubt, reputational harm); (iii) Participant's unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom the Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company; (iv) Participant's material breach of any of his or her obligations under any written agreement or covenant with the Company, including, without limitation, any noncompetition obligation; (v) Participant's commission of a felony or other crime involving moral turpitude; or (vi) Participant's gross negligence in connection with his or her performance of services. The determination as to

whether a Participant's Continuous Service Status has been terminated for Cause shall be made in good faith by the Company and shall be final and binding on the Participant. The foregoing definition does not in any way limit the Company's ability to terminate a Participant's employment or consulting relationship at any time.

(d) "Change in Control" shall mean the occurrence of any of the events set forth in section 2(j) of the Plan.

(e) "Change in Control Protection Period" means the period commencing three months prior to, and ending eighteen months following, the occurrence of a Change in Control.

(f) "Code" means the U.S. Internal Revenue Code of 1986, as amended.

(g) "Company" shall have the meaning set forth in the preamble hereto and will be interpreted to include any subsidiary, parent, affiliate, or any successor thereto, if appropriate.

(h) "Continuous Service Status" means the absence of any interruption or termination of service as a Participant, as determined by the Board in good faith and subject to Applicable Laws. Subject to Applicable Laws, the Board shall determine whether a leave of absence, or absence in military or government service, shall constitute an interruption of Continuous Service Status; provided, however, that, the Administrator shall not have any such discretion to the extent that the grant of such discretion would cause any tax to become due under Section 409A of the Code. Also, Continuous Service Status as a Participant shall not be considered interrupted or terminated in the case of a transfer between locations of the Company or between the Company, its parents, subsidiaries or affiliates, or their respective successors.

(i) "Disability" shall mean a "permanent and total disability" within the meaning of Section 22(e)(3) of the Code.

(j) "Effective Date" shall have the meaning set forth in the preamble hereto.

(k) "Equity Award" means any award of an option, restricted stock, restricted stock unit or other award granted to the Participant under the Plan.

(l) "Good Reason" means the occurrence, without the Participant's written consent, of any one or more of the following events or circumstances: (i) the Participant's duties or responsibilities are materially diminished; (ii) the Participant ceases to hold a position of like status to the position held by the Participant as of immediately prior to the Change in Control Protection Period; (iii) any fundamental term of this Agreement is breached other than by the Participant; (iv) the Participant's annual base salary, annual target bonus or other Participant benefits are materially reduced, except where a similar reduction is applied generally across the senior management team; or (v) the Participant is required to relocate the Participant's principal place of employment more than 50 miles from the Participant's normal place of work unless the Participant's principal place of employment is brought within 50 miles (whether by distance or commuting time) of the Participant's home residence by such relocation; provided, that (A) the Participant provides the Company with Notice stating clearly the event or circumstance that constitutes Good Reason in the Participant's belief (acting in good faith) within 30 days of its occurrence, (B) the Company shall have a period of not less than 30 working days (the "Cure

Period") to cure the event or circumstance allegedly constituting Good Reason, and (C) the Participant must actually terminate Continuous Service Status no later than 10 days following the end of such Cure Period, if the Good Reason condition remains uncured. For the avoidance of doubt, Good Reason shall not exist if the event or circumstance allegedly constituting Good Reason is cured by the Company or if the Participant fails to terminate the Participant's Continuous Service Status hereunder within 10 days following the end of the Cure Period.

(m) "Group Company" means any member of the Company whether it be a parent, subsidiary or affiliate.

(n) "Notice" shall have the meaning set forth in Section 8.

(o) "Participant" shall have the meaning set forth in the preamble hereto.

(p) "Plan" means the SmileDirectClub, Inc. 2019 Omnibus Incentive Plan, as may be amended or restated from time to time, or any successor thereto.

(q) "PSU" means a restricted share unit in respect of common of Company that vests in whole or in part on the basis of the achievement of performance targets.

(r) "Release" means a release of claims against the Company, substantially in the form attached hereto as Exhibit A.

(s) "RSU" means a restricted stock unit in respect of common stock of Company that vests solely on the basis of time.

(t) "Term" shall have the meaning set forth in Section 2.

(u) "Termination Date" means the date of termination of the Participant's Continuous Service Status with the Company.

Section 2. Term of Agreement. The term of this Agreement shall commence as of the Effective Date and shall continue until the earliest of (i) if the Participant is entitled to benefits pursuant to Section 3 and complies with the terms thereof, the date that the Company satisfies their respective obligations pursuant to such Section 3, (ii) the date of termination of the Participant's Continuous Service Status for any reason outside of the Change in Control Protection Period, or (iii) the date of termination of the Participant's Continuous Service Status either by the Company for Cause or by the Participant without Good Reason or as a result of the Participant's death or Disability, in any case, at any time during the Change in Control Protection Period (the "Term").

Section 3. Change in Control Severance Benefits. If at any time during the Change in Control Protection Period, the termination of the Participant's Continuous Service Status by the Company without Cause (other than due to the Participant's death or Disability) or by the Participant for Good Reason, in either case (such termination, a "Qualifying Termination"), then the Participant shall be entitled to receive the following payments and benefits under the terms of Section 3(b). If the Participant's employment is terminated for any reason other than a Qualifying Termination, then the Company shall have no further obligations to the Participant or

the Participant's legal representatives under this Agreement, other than for payment of accrued benefits described in Section 3(a), which shall be paid to the Participant or the Participant's estate or beneficiary, as applicable, as described in Section 3(a).

(a) Payment of Accrued Benefits. The Participant shall be entitled to receive payment of the following accrued benefits:

(i) Any earned but unpaid base salary through the Termination Date, payable within five days following the Termination Date or such earlier date required by Applicable Law;

(ii) Any accrued but unused vacation pay through the Termination Date, payable within five days following the Termination Date or such earlier date required by Applicable Law;

(iii) Any unreimbursed expenses incurred by the Participant through the Termination Date, payable in accordance with the Company's applicable expense reimbursement policies and procedures; and

(iv) Such fully vested and non-forfeitable employee benefits, if any, as to which the Participant may be entitled under the employee benefit plans of the Company.

(b) Payment of Severance Benefits. Subject to Sections 3(c), 3(d), and any applicable timing requirements of Section 4(b)(v) below, the Participant shall be entitled to receive the following severance payments and benefits:

(i) Severance pay in an amount equal to (x) [24][18] months of the Participant's annual then-current base salary and (y) 100% of the Participant's annual target bonus, payable in a lump-sum cash payment on the first payroll date after the Release becomes irrevocable;

(ii) If Participant then participates in the Company's medical plan(s) and the Participant timely elects to continue to receive group health insurance coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), the Company shall either directly pay or reimburse the Participant for all monthly COBRA premiums, whether monthly or in a lump-sum cash payment, at the Company's sole discretion, incurred by Participant on behalf of both the Participant and the Participant's dependents for a period of [24][18] months (such monthly payments being the "COBRA Amount"), provided that in order to be reimbursed, the Participant must provide the Company with adequate

documentation of payment of such monthly COBRA premiums. The COBRA Amount shall maintain the coverage the Participant and the Participant's dependents (if applicable) had immediately prior to the date of termination of Participant's Continuous Service Status with the Company (subject to any changes in coverage that effect employees generally). In the event the Participant does not elect COBRA coverage, the Participant subsequently becomes ineligible for continued COBRA coverage, the Participant fails to provide the Company with adequate documentation of Participant's payment of such COBRA premiums (if applicable), or the Participant does not execute the Release or subsequently revokes the Release, the Company shall no longer be obligated to pay the Participant any remaining portion of the COBRA Amount. At the Company's sole discretion, it may provide an additional amount (the "Gross-Up Payment") such that the net amount retained by the Participant, after deduction of any Federal, state and local income and employment taxes upon the COBRA Amount and the Gross-Up Payment, shall be equal to the COBRA Amount;

(iii) An amount in cash equal to the Participant's annual target bonus for the year in which such termination occurs, multiplied by a fraction, the numerator of which shall be the number of days from the beginning of such fiscal year to and including the Termination Date and the denominator of which shall be 365, payable in a lump-sum on the first payroll date after the Release becomes irrevocable.

(iv) With respect to any outstanding RSU or other Equity Award held by the Participant that (x) vests solely on the basis of time and (y) is not assumed, converted or replaced in the Change in Control transaction pursuant to the Plan, the vesting of such RSU or other Equity Award shall fully accelerate as of the Termination Date;

(v) With respect to any outstanding PSU or other Equity Award held by the Participant that is not assumed, converted or replaced in the Change in Control transaction pursuant to the Plan and (x) was subject to performance-based vesting for which the achievement of the applicable performance goals under the Equity Award have previously been determined to be satisfied in whole or in part as of the Termination Date and (y) remains subject to time-based vesting, the vesting of such PSU or other Equity Award shall fully accelerate as of the Termination Date, unless otherwise provided in the applicable agreement evidencing such PSU or Equity Award; and

(vi) With respect to any outstanding PSU or other Equity Award held by the Participant that is not assumed, converted or replaced in the Change in Control transaction pursuant to the Plan and is subject to performance-based vesting for which the achievement of the applicable performance goals under the Equity Award has not been determined as of the Termination Date, the performance goals shall be deemed achieved at one-hundred percent (100%) of target levels, in addition to full vesting acceleration for any time-based vesting

requirements, as applicable, unless otherwise provided in the applicable agreement evidencing such PSU or Equity Award.

(c) Conditions to Severance Payments and Benefits. Notwithstanding anything to the contrary in this Agreement, it shall be a condition to the Participant's right to receive the payments and benefits provided for in Section 3(b), that the Participant execute and deliver to the Company and not revoke the Release, which Release shall be delivered to the Participant within five (5) days following the Termination Date. The Release must be executed and delivered to the Company (and no longer subject to revocation, if applicable) within sixty (60) days following the Termination Date (the "Release Period").

(d) Participant's Obligations Upon Termination. The Participant hereby acknowledges and agrees that, on the Termination Date, the Participant will:

(i) Immediately deliver to the Company all books, documents, papers, computer records, computer data, credit cards and any other property relating to the business of or belonging to the Company or any other Group Company which is in the Participant's possession or under the Participant's control. The Participant is not entitled to retain copies or reproductions of any documents, papers or computer records relating to the business of or belonging to the Company or any other Group Company;

(ii) Immediately resign from any office the Participant holds with the Company or any other Group Company (and from any related trusteeships) without any compensation for loss of office. Should the Participant fail to do so, the Participant hereby irrevocably authorizes the Company to appoint some person in the Participant's name and on the Participant's behalf to sign any documents and do anything to give effect to the Participant's resignation from office; and

(iii) Immediately pay to the Company or, as the case may be, any other Group Company all outstanding loans or other amounts due or owed to the Company or any Group Company; provided, that the Participant confirms that, should the Participant fail to do so, the Company is authorized to deduct from any amounts due or owed to the Participant by the Company (or any other Group Company) a sum equal to such amounts.

The Participant further acknowledges and agrees that the Participant will not at any time after the Termination Date represent the Participant as being in any way concerned with or interested in the business of, or employed by, the Company or any other Group Company.

(e) Certain Payment Delays. Notwithstanding anything to the contrary in this Agreement, the severance amounts described in Sections 3(b)(i) and (ii) shall be paid on the first regularly scheduled payroll date following the date on which the Release becomes irrevocable; provided, that to the extent required to comply with Section 409A, if the Release Period spans two (2) calendar years, such severance amounts shall be paid on the first regularly scheduled payroll date that occurs in the second calendar year.

(f) Effect on All Equity Awards. The Participant hereby acknowledges and agrees that, notwithstanding any terms to the contrary in an award agreement or other documentation evidencing any Equity Award held by the Participant as of the Effective Date or granted thereafter, the terms of Section 3(b)(iii) through (v), shall govern if there is any conflict between the terms of any such award agreement or other documentation and this Agreement.

(g) Non-Duplication. Notwithstanding any other agreement to the contrary, the Participant acknowledges and agrees that if at any time during the Change in Control Protection Period, the termination of the Participant's Continuous Service Status by the Company without Cause (other than due to the Participant's death or Disability) or by the Participant for Good Reason, then (i) the payments and benefits under this Agreement shall be the only severance or similar payments and benefits that are payable by the Company under any plan, program, policy or agreement, including but not limited to any offer letter, employment agreement or similar agreement between the Company and the Participant, and (ii) the payments under this Agreement are in full and complete satisfaction of all liabilities of the Company with respect to the Participant under all such other plans, programs and agreements.

(h) Loss of Rights to Equity Awards. The Participant hereby acknowledges and agrees that the Participant may, during the period of Participant's employment with the Company, be granted rights upon the terms and subject to the conditions of the rules from time to time of the Plan or any other profit sharing, share incentive, share option, bonus or phantom option scheme operated by the Company or any Group Company with respect to shares in the Company or any Group Company. If, on the Termination Date, whether lawfully or in breach of contract, the Participant loses any of the rights or benefits under the Plan or any such scheme (including rights or benefits which the Participant would not have lost had the termination of the Participant's Continuous Service Status not occurred) the Participant shall not be entitled, by way of compensation for loss of office or otherwise howsoever to any compensation for the loss of any rights under the Plan or any such scheme.

Section 4. US Tax Issues.

(a) Sections 280G and 4999 of the Code. If the Participant becomes entitled to any payment or benefit under this Agreement (such benefits together with any other payments or benefits payable under any other agreement with, or plan or policy of, the Company or Group Company being the "Total Payments") and all or any part of the Total Payments will, as determined by the Company, be subject to the tax imposed by Section 4999 of the Code (or any similar tax that may be hereafter imposed) (the "Excise Tax"), then such payment shall be either:

(i) the full payment, subject to the payment of the Excise Tax by the Participant; or

(ii) such lesser amount that would result in no portion of the payment being subject to Excise Tax,

whichever of the foregoing amounts, taking into account the applicable federal, state and local employment taxes, income taxes and the Excise Tax, as well as the phase out of itemized deductions and personal exemptions related to such payments, results in the receipt by the

Participant, on an after-tax basis, of the greatest amount of the payment notwithstanding that all or some portion of the payment may be taxable under Section 4999 of the Code. Any such reduction shall be made by the Company in compliance with all applicable legal authority, including Section 409A of the Code. All determinations required to be made under this Section shall be made by the nationally recognized U.S. accounting firm selected by the Company (the "Accounting Firm"). The Company shall require the Accounting Firm to provide detailed supporting calculations of its determinations to the Company and the Participant. Notice must be given to the Accounting Firm within 15 business days after an event entitling the Participant to a payment under this Section. All fees and expenses of the Accounting Firm related to this determination shall be borne solely by the Company. The Total Payments shall be reduced by the Company in the following order: first, any cash payment that is exempt from Section 409A of the Code, and second any other payments or benefits on a pro-rata basis.

(b) Section 409A of the Code.

(i) The compensation and benefits under this Agreement are intended to comply with or be exempt from the requirements of Section 409A of the Code, and this Agreement will be interpreted and administered in a manner consistent with that intent. The preceding provision, however, shall not be construed as a guarantee by the Company of any particular tax effect to the Participant under this Agreement and shall not constitute an indemnity from the Company to the Participant.

(ii) References to "termination of employment" and similar terms used in this Agreement mean, to the extent necessary to comply with Section 409A of the Code, the date that the Participant first incurs a "separation from service" within the meaning of Section 409A of the Code. Each payment under this Agreement shall be designated as a "separate payment" within the meaning of Section 409A of the Code.

(iii) To the extent any reimbursement provided under this Agreement is includable in the Participant's income and could be characterized as nonqualified deferred compensation for purposes of Section 409A of the Code, such reimbursements shall be paid to the Participant at the time specified, but not later than December 31 of the year following the year in which the Participant incurs the expense, and shall not be subject to liquidation or exchange for another benefit, and the amount of reimbursable expenses provided in one year shall not increase or decrease the amount of reimbursable expenses to be provided in a subsequent year.

(iv) The payment of any "tax gross-up payment" (as defined in Section 409A of the Code), including the Gross-Up Payment, pursuant to this Agreement shall be paid to the Participant in any event no later than the end of the taxable year immediately following the taxable year in which the Participant remits the related taxes.

(v) Notwithstanding anything in this Agreement to the contrary, if at the time of termination of the Participant's Continuous Service Status with the Company, the Participant is a "specified employee" as defined in Section 409A of the Code, and any payment payable under this Agreement as a result of such separation from service is required to be delayed by six months pursuant to Section 409A of the Code, then the Company will make such payment on the date that is six months following the Participant's separation from service with the Company. The amount of such payment will equal the sum of the payments that would have been paid to the Participant during the six-month period immediately following the Participant's separation from service had the payment commenced as of such date and will not include interest.

Section 5. Reaffirmation of Restrictive Covenants. The Participant hereby acknowledges and agrees that Participant is bound by certain restrictive covenants set forth in the Participant's Employee Proprietary Information, Inventions Assignment and Non-Compete Agreement. Notwithstanding any provision of this Agreement, the Participant hereby reaffirms such restrictive covenants, and acknowledges and agrees that such restrictive covenant agreement will survive the termination of the Participant's Continuous Service Status with the Company pursuant to the terms and conditions thereof, and shall remain in full force and effect.

Section 6. At-Will Employment. The Participant's employment with the Company is "at-will" and is not for a specified period of time. Subject to the Company's obligations under Section 3, either the Participant or the Company may terminate the Participant's Continuous Service Status at any time and for any reason whatsoever (or for no reason). This at-will employment relationship cannot be changed except in a writing signed by the Participant and a duly authorized representative of the Company.

Section 7. No Third Party Beneficiaries. Except as expressly provided in this Agreement, this Agreement is not intended, and shall not be deemed, to confer any rights or remedies upon any person other than the parties hereto and their respective successors and permitted assigns or to otherwise create any third-party beneficiary hereto.

Section 8. Notices. All notices, requests, demands and other communications (each, a "Notice") given pursuant to this Agreement shall be in writing, and shall be delivered by personal service, courier, overnight delivery service or electronic transmission (each of which must be confirmed) or by United States registered or certified mail, postage prepaid, return receipt requested, to the following addresses:

if to the Participant:

at the address last set forth in the records of the Company;

if to the Company:

SmileDirectClub, Inc.
Attention: General Counsel
414 Union Street

Nashville, Tennessee 37219

Any Notice, other than a Notice sent by registered or certified mail, shall be effective when received; a Notice sent by registered or certified mail, postage prepaid return receipt requested, shall be effective on the earlier of when received or the third day following deposit in the United States mails. Any party may from time to time change its address for further Notices hereunder by giving notice to the other parties in the manner prescribed in this Section.

Section 9. Entire Agreement. This Agreement, together with any other documents referred to in this Agreement, constitutes the entire agreement and understanding between the parties, and supersedes all other agreements both oral and in writing between the Company and the Participant with respect to the subject matter hereof. The Participant acknowledges that the Participant has not entered into this Agreement in reliance upon any representation, warranty or undertaking which is not set forth in this Agreement or expressly referred to herein as forming a part of this Agreement.

Section 10. Assignment. No party may assign his, her or its rights or obligations under this Agreement, and any attempted or purported assignment or any delegation of any party's duties or obligations arising under this Agreement to any third party or entity shall be deemed to be null and void, and shall constitute a material breach by such party of its duties and obligations under this Agreement. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and permitted assigns.

Section 11. Waiver and Amendment. This Agreement may be amended only by a written agreement executed by all of the parties to this Agreement. Any agreement on the part of a party hereto to any waiver of a provision herein shall be valid only if set forth in writing in an instrument signed by or on behalf of such party. The waiver by any party hereto of a breach of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

Section 12. Governing law. Unless otherwise noted, references to laws in this Agreement are to the laws of the United States. Any reference in this Agreement to law shall be deemed to include any statutory modification or re-enactment thereof. This Agreement is governed by, and shall be construed in accordance with, the laws of the State of Delaware. The courts of the State of Delaware and the federal courts located therein shall have exclusive jurisdiction in relation to all disputes arising out of or in connection with this Agreement.

Section 13. Severability. Whenever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision of this Agreement shall be or become prohibited or invalid under Applicable Law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Section 14. Captions. The various captions of this Agreement are for reference only and shall not be considered or referred to in resolving questions of interpretation of this Agreement.

Section 15. Counterparts. This Agreement may be executed in any number of counterparts, and by each party on separate counterparts. Each counterpart is an original, but all

counterparts shall together constitute one and the same instrument. Delivery of an executed counterpart signature page of this Agreement by e-mail shall be as effective as delivery of a manually executed counterpart of this Agreement. In relation to each counterpart, upon confirmation by or on behalf of the signatory that the signatory authorizes the attachment of such counterpart signature page to the final text of this Agreement, such counterpart signature page shall take effect together with such final text as a complete authoritative counterpart.

[Signature page follows]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

SMILEDIRECTCLUB, INC.

By: _____
Name: [ ]
Title: [ ]

PARTICIPANT

By: _____
Name: [ ]

EXHIBIT A

GENERAL RELEASE

I, [ ], in consideration for the obligations of the SmileDirectClub, Inc. (the "Company") under the Change in Control Severance Agreement by and between the Company and me, dated as of , 20 (the "Agreement"), do hereby release and forever discharge as or the date hereof the Company and its affiliates, subsidiaries and direct or indirect parent entities and owners, and all present, former and future directors, officers, agents, representatives, employees, successors and assigns of the Company and their respective affiliates, subsidiaries and direct or indirect parent entities and owners (collectively, the "Released Parties") to the extent provided below (this "General Release"). The Released Parties are intended to be express third-party beneficiaries of this General Release, and this General Release may be enforced by each of them in accordance with the terms hereof in respect of the rights granted to such Released Parties hereunder. Terms used herein but not otherwise defined shall have the meanings given to them in the Agreement.

1. I understand that the severance benefits to be paid to me under Section 3(b) of the Agreement represent, in part, consideration for signing this General Release and is not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive the severance benefits specified in Section 3(b) of the Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter. Such severance benefits will not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by the Company or its affiliates.

2. Except as provided in paragraphs 4 and 5 below and except for the provisions of the Agreement which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my spouse and my affiliates, and my and my spouse's heirs, executors, administrators and assigns (collectively, the "Releasing Parties")) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions. causes of action, cross-claims, counter-claims, demands, debts, damages (whether compensatory, punitive, direct, special, liquidated, exemplary or otherwise), claims for costs (including enforcement costs and expenses, and attorneys' fees), or liabilities of any nature whatsoever in law and in equity, both past and present (through the date that this General Release becomes effective and enforceable), and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties, which I and each other Releasing Party, may have, by reason of any matter, cause, or thing whatsoever, from the beginning of my initial dealings with the Company to the date of this General Release, and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to my employment relationship with the Company, the terms and conditions of that employment relationship, and the termination of that employment relationship (including, but not limited to, any allegation, claim or violation, arising under. Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers

Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; the Tennessee Human Rights Act, the Tennessee Disability Act or under any other U.S. or non-U.S. federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or any other claim arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, defamation; or any claim for costs, fees, or other expenses or amounts, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims").

3. I represent that I have made no (and I hereby covenant and agree that I will not make any) direct or indirect assignment or transfer of any Claim or other matter covered by paragraph 2 above.

4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which may arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

5. I agree that this General Release does not waive or release any rights or claims for indemnification by any Group Company, claims under any director's and officer's Liability Insurance policy, claims to any vested benefits (subject always to the rules of any applicable benefit plan), nor any claims that cannot be waived under any applicable law.

6. I hereby knowingly waive all rights to sue (including, without limitation, by joining any class action lawsuit) or obtain equitable, remedial or punitive relief from any or all Released Parties of any kind whatsoever in respect of any Claim, including, without limitation, reinstatement, future employment, back pay, front pay, and any form of injunctive relief. Notwithstanding the above, I further acknowledge that I am not waiving and am not being required to waive any right that cannot be waived under applicable law, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however, that I hereby disclaim and knowingly waive any right to share or participate in any monetary award resulting from the prosecution of such charge or investigation or proceeding. Additionally, I am not waiving my rights under Section 3(b) of the Agreement, or any claim relating to directors' and officers' liability insurance coverage or any right of indemnification under the Company's organizational documents or otherwise.

7. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each

and all of its express terms and provisions, including those relating to unknown end unsuspected Claims (notwithstanding any state or local statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied.

8. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement.

9. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims to the maximum extent permitted by law.

10. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

11. I agree that if I violate this General Release by suing the Company or the other Released Parties related to any Claims, I will pay all costs (including reasonable costs and expenses of defending against the suit, including reasonable attorneys' fees) incurred by the Released Parties as a result.

12. I agree that this General Release and the Agreement are strictly confidential and agree not to disclose any information regarding the terms of this General Release or the Agreement to anyone, or to my immediate family and any tax, legal or other counsel that I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone. Notwithstanding the foregoing, nothing herein will prevent me from reporting possible violations of federal law or regulation to any governmental agency or entity, including, but not limited to, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures under the whistleblower provisions of federal law or regulation, for which I will not need the prior authorization of the Company to make any such reports or disclosures or be required to notify the Company of any such reports or disclosures.

13. I represent that I am not aware of any claim (whether actual, pending, threatened or otherwise) by me or any reasonable basis therefor as of the date of execution of this General Release other than the claims that are released by this General Release. I acknowledge that I may hereafter discover claims or facts in addition to or different than those which I now know or believe to exist with respect to the subject matter of the release set forth in paragraph 2 above and which, if known or suspected at the time of entering into this General Release, may have materially affected this General Release and my decision to enter into it.

14. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any

breach by the Company or by any Released Party of the Agreement to the extent arising after the date hereof.

15. Whenever possible, each provision of this General Release shall be interpreted in, such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

A. I HAVE READ IT CAREFULLY;

B. I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

C. I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

D. I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

E. I HAVE HAD AT LEAST [21/45] DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE TO CONSIDER IT, AND THE CHANGES MADE SINCE MY RECEIPT OF THIS RELEASE ARE NOT MATERIAL OR WERE MADE AT MY REQUEST AND WILL NOT RESTART THE REQUIRED [21/45]-DAY PERIOD;

F. I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT BY PROVIDING WRITTEN NOTICE OF REVOCATION TO: SMILEDIRECTCLUB, INC., ATTENTION: CHIEF EXECUTIVE OFFICER, 414 UNION STREET, NASHVILLE, TENNESSEE 37219, AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;

G. I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

H. I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

Signed: _____

Date: _____

Exhibit 10.9

SMILEDIRECTCLUB, INC.
2019 OMNIBUS EQUITY INCENTIVE PLAN
STOCK OPTION GRANT NOTICE

SmileDirectClub, Inc., a Delaware corporation, (the "**Company**"), pursuant to its 2019 Omnibus Equity Incentive Plan, as may be amended from time to time (the "**Plan**"), hereby grants to the holder listed below ("**Participant**"), an option to purchase the number of shares of the Company's Class A common stock (the "**Shares**"), set forth below (the "**Option**"). This Option is subject to all of the terms and conditions set forth herein, as well as in the Plan and the Stock Option Award Agreement attached hereto (the "**Stock Option Agreement**"), each of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Stock Option Agreement.

Participant:	[ ]
Date of Grant:	[ ]
Vesting Commencement Date:	[ ]
Exercise Price per Share:	$[ ]
Total Exercise Price:	$[ ]
Total Number of Shares Subject to the Option:	[ ] shares
Expiration Date:	[ ]
Vesting Schedule:	[ ]

Type of Option: o Incentive Stock Option o Nonqualified Stock Option

By his or her signature and the Company's signature below, Participant agrees to be bound by the terms and conditions of the Plan, the Stock Option Agreement, and this Grant Notice. Participant has reviewed the Stock Option Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Stock Option Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Stock Option Agreement.

SMILEDIRECTCLUB, INC.:	**PARTICIPANT:**
By:	By:
Print Name:	Print Name:
Title:	
Address:	Address:

SMILEDIRECTCLUB, INC.
2019 OMNIBUS EQUITY INCENTIVE PLAN
STOCK OPTION AWARD AGREEMENT

Pursuant to your Stock Option Grant Notice (the "**Grant Notice**") and this Stock Option Award Agreement (this "**Stock Option Agreement**"), SmileDirectClub, Inc., a Delaware corporation (the "**Company**"), has granted you (the "**Participant**") as of the Date of Grant set forth in the Grant Notice, an option to purchase the number of Shares set forth in your Grant Notice (the "**Option**") pursuant to the Company's 2019 Omnibus Equity Incentive Plan and any applicable sub-plan for a particular country (together, the "**Plan**"). Capitalized terms not explicitly defined in this Stock Option Agreement or in the Grant Notice but defined in the Plan or in the Grant Notice shall have the meaning ascribed to them in the Plan or in the Grant Notice. In the event of any conflict between the terms of this Stock Option Agreement and the Plan, the terms of the Plan will control.

1. Grant of Stock Option. In consideration of the Participant's past and/or continued employment with or service to the Company and for other good and valuable consideration, effective as of the Date of Grant set forth in the Grant Notice, the Company irrevocably grants to the Participant the Option to purchase any part or all of an aggregate of the number of Shares set forth in the Grant Notice, upon the terms and conditions set forth in the Plan and this Stock Option Agreement, subject to adjustments as provided in Section 14 of the Plan.

2. Exercise Price. The exercise price of the Shares subject to the Option shall be as set forth in the Grant Notice, without commission or other charge; *provided*, *however*, that the price per share of the Shares subject to the Option shall not be less than 100% of the Fair Market Value of a Share on the Date of Grant. Notwithstanding the foregoing, if this Option is designated as an Incentive Stock Option and the Participant is a Ten Percent Holder as of the Date of Grant, the exercise price per share of the Shares subject to the Option shall not be less than 110% of the Fair Market Value of a Share on the Date of Grant.

3. Vesting.

(a) Subject to Section 4 below, the Option shall become vested and exercisable in such amounts and at such times as are set forth in the Grant Notice.

(b) No portion of the Option which has not become vested and exercisable on the date on which the Participant's Continuous Service Status ends shall thereafter become vested and exercisable, except as may be otherwise provided by the Administrator or as set forth in a written agreement between the Company and the Participant.

(c) Notwithstanding Section 3(a) hereof and the Grant Notice, but subject to Section 3(b) hereof, in the event of a Corporate Transaction, the Option shall be treated pursuant to Section 14(c) of the Plan.

4. Timing of Exercise. Except as otherwise provided herein, the term of the Option (the "**Option Term**") shall commence on the Grant Date and terminate on the date of the first to occur of the following events:

(a) If the Option is designated as an Incentive Stock Option and the Participant, at the time the Option was granted, was a Ten Percent Holder, the expiration of five (5) years from the Date of Grant;

(b) The 10th anniversary of the Date of Grant;

(c) One year following the Participant's termination of Continuous Service Status with the Company and its Affiliates as a result of the termination of the Participant's Continuous Service Status by the Company or any of its Affiliates on account of death or Disability;

(d) Thirty (30) days following the Participant's termination of Continuous Service Status with the Company and its Affiliates as a result of the termination of the Participant's Continuous Service Status by the Participant other than for Cause; and

(e) The close of business on the last business day immediately prior to the date of the Participant's termination of Continuous Service Status by the Company for Cause or for any reason other than those reasons set forth above.

Upon the expiration of the Option Period, the Options, and all unexercised rights granted to Participant hereunder shall terminate, and thereafter be null and void.

5. Method of Exercise; Settlement. The Participant may exercise all or any portion of the Options, to the extent vested, by giving written notice of exercise to the Company specifying the number of Shares to be purchased, accompanied by payment in full of the aggregate Exercise Price of the Shares so purchased in cash or its equivalent; provided, that, with the consent of the Administrator, in accordance with Section 9(b) of the Plan, the Participant may satisfy the payment of the aggregate Exercise Price of such Shares pursuant to a Cashless Transaction or through electing to have the Company withhold from the number of Shares that would otherwise be issued upon exercise of the Option the largest whole number of Shares with a Fair Market Value equal to the applicable aggregate Exercise Price payable in respect of such exercise.

6. Conditions to Issuance of Shares. The Shares deliverable upon the exercise of the Option, or any portion thereof, may be either previously authorized but unissued Shares or issued Shares which have then been reacquired by the Company. Such Shares shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any Shares purchased upon the exercise of the Option or portion thereof prior to fulfillment of all of the conditions in Section 21 of the Plan.

7. Rights as Stockholder. The Participant shall have no rights of a stockholder with respect to the Shares subject to the Option (including the right to vote and the right to receive distributions or dividends) unless and until Shares are issued to the Participant in respect thereof in accordance with this Stock Option Agreement.

8. Stock Option Agreement Subject to Plan. This Stock Option Agreement is made pursuant to all of the provisions of the Plan, which is incorporated herein by this reference, and is intended, and shall be interpreted in a manner, to comply therewith. In the event of any conflict between the provisions of this Stock Option Agreement and the provisions of the Plan, the provisions of the Plan shall govern.

9. No Rights to Continuation of Employment or Future Awards. Nothing in the Plan or this Stock Option Agreement shall confer upon the Participant any right to any future Award or to continue in the employ of the Company or any Affiliate thereof, or shall interfere with or restrict the right of the Company or its Affiliates to terminate the Participant's employment any time for any reason whatsoever, with or without cause.

10. Tax Withholding. The Company shall be entitled to require a cash payment by or on behalf of the Participant in respect of any sums required or permitted by federal, state or local tax law to be withheld with respect to the exercise of the Option; provided, that, notwithstanding the foregoing, the Administrator may permit the Participant to satisfy the applicable tax obligations with respect to the Option in accordance with the terms of Section 12 of the Plan.

11. Governing Law. This Stock Option Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the internal laws, and not the laws pertaining to conflicts or choices of laws, of the State of Delaware applicable to agreements made and to be performed wholly within the State of Delaware.

12. Stock Option Agreement Binding on Successors. The terms of this Stock Option Agreement shall be binding upon the Participant and upon the Participant's heirs, executors, administrators, personal representatives, transferees, assignees and successors in interest, and upon the Company and its successors and assignees, subject to the terms of the Plan.

13. No Assignment. Except as otherwise provided under Section 13 of the Plan, neither this Stock Option Agreement nor any rights granted herein shall be transferable or assignable by the Participant.

14. Necessary Acts. The Participant hereby agrees to perform all acts, and to execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Stock Option Agreement, including but not limited to all acts and documents related to compliance with federal and/or state securities and/or tax laws.

15. Severability. Should any provision of this Stock Option Agreement be held by a court of competent jurisdiction to be unenforceable, or enforceable only if modified, such holding shall not affect the validity of the remainder of this Stock Option Agreement, the balance of which shall continue to be binding upon the parties hereto with any such modification (if any) to become a part hereof and treated as though contained in this original Stock Option Agreement. Moreover, if one or more of the provisions contained in this Stock Option Agreement shall for any reason be held to be excessively broad as to scope, activity, subject or otherwise so as to be unenforceable, in lieu of severing such unenforceable provision, such provision or provisions shall be construed by the appropriate judicial body by limiting or reducing it or them, so as to be enforceable to the maximum extent compatible with the applicable law as it shall then appear, and such determination by such judicial body shall not affect the enforceability of such provisions or provisions in any other jurisdiction.

16. Entire Agreement. This Stock Option Agreement and the Plan contain the entire agreement and understanding among the parties as to the subject matter hereof, and supersede any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof.

17. Headings. Headings are used solely for the convenience of the parties and shall not be deemed to be a limitation upon or descriptive of the contents of any such Section.

18. Counterparts; Electronic Signature. This Stock Option Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. The Participant's electronic signature of this Stock Option Agreement shall have the same validity and effect as a signature affixed by the Participant's hand.

19. Amendment. No amendment or modification hereof shall be valid unless it shall be in writing and signed by all parties hereto.

20. Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Stock Option Agreement, if the Participant is subject to Section 16 of the Exchange Act, the Plan, the Option and this Stock Option Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Stock Option Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

21. Notification of Disposition. If this Option is designated as an Incentive Stock Option, the Participant shall give prompt notice to the Company of any disposition or other transfer of any Shares acquired under this Agreement if such disposition or transfer is made (a) within two (2) years from the Date of Grant with respect to such Shares or (b) within one (1) year after the transfer of such Shares to the Participant. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by the Participant in such disposition or other transfer.

22. Notices. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or sent by certified or registered mail, return receipt requested, postage prepaid, addressed, if to the Participant, to the Participant's attention at the latest mailing address on file with the Company in the Company personnel records (or to such other address as the Participant shall have specified to the Company in writing) and, if to the Company, to the Company's office at 414 Union Street, 8th Floor, Nashville, TN 37219, Attention: Chief Operating Officer (or to such other address as the Company shall have specified to the Participant in writing). All such notices shall be conclusively deemed to be received and shall be effective, if sent by hand delivery, upon receipt, or if sent by registered or certified mail, on the fifth day after the day on which such notice is mailed.

Exhibit 21.1

Subsidiaries of SmileDirectClub, Inc.

Name of Subsidiary	Jurisdiction of Incorporation
SDC Financial LLC	Tennessee*
SmileDirectClub, LLC	Tennessee
Access Dental Lab, LLC	Tennessee
Access Dental Lab TX, LLC	Tennessee
CATM, LLC	Delaware
CATC Holdings, LLC	Delaware
SDC Holding, LLC	Tennessee
SmileDirectClub, Sociaded Anónima	Costa Rica
SDC Plane, LLC	Delaware
SDC U.S. SmilePay SPV	Delaware
SDC Canada, Inc.	Canada
SmileDirectClub UK Ltd	England and Wales
SmileDirectClub AUS pty Ltd	Australia

*To be converted to a Delaware entity prior to consummation of the offering

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated April 26, 2019, with respect to the consolidated financial statements of SDC Financial, LLC and subsidiaries included in the Registration Statement (Form S-1 No. 333-233315) of SmileDirectClub, Inc. for the registration of its common stock.

/s/ Ernst & Young LLP

Nashville, Tennessee
September 5, 2019